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UNITED STATES BANKRUPTCY COURT

DISTRICT OF OREGON

In re) Case No. 08-32798-tmb11
)
Matrix Development Corporation,) Chapter 11
an Oregon corporation, aka Legend Homes,)
) DEBTOR'S SECOND AMENDED
Debtor.) AND RESTATED PLAN OF
) REORGANIZATION, AS FINALLY
) MODIFIED
)
)
)

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Appendix A--DEFINITIONS

1 Matrix Development Corporation, an Oregon corporation, proposes the following
 2 Plan of Reorganization pursuant to the provisions of Chapter 11 of the Bankruptcy Code.
 3

4 I.

5 DEFINITIONS

6 1.1 Defined Terms. Definitions of certain terms used in this Plan are set forth
 7 in the attached Appendix A. Other terms are defined in the text of this Plan. In either
 8 case, when a defined term is used, the first letter of each word in the defined term is
 9 capitalized.

10 1.2 Other Terms. Terms used and not defined in this Plan that are defined in
 11 the Bankruptcy Code or in the Bankruptcy Rules shall have the meanings ascribed to
 12 them in the Bankruptcy Code or in the Bankruptcy Rules, as applicable.

13 1.3 Interpretation; Application of Definitions; and Rules of Construction.
 14 Wherever from the context it appears appropriate, each term stated in either the singular
 15 or the plural shall include both the singular and the plural and pronouns stated in the
 16 masculine, feminine or neuter gender shall include the masculine, feminine and neuter.
 17 For purposes of the Plan: (a) any reference in the Plan to a contract, instrument, release,
 18 indenture, or other agreement or document being in a particular form or on particular
 19 terms and conditions means that such document shall be substantially in such form or
 20 substantially on such terms and conditions; (b) any reference in the Plan to an existing
 21 document or exhibit filed or to be filed means such document or exhibit as it may have
 22 been or may be amended, modified or supplemented; and (c) unless otherwise specified,
 23 all references in the Plan to Sections and Exhibits are references to Sections and Exhibits
 24 of or to the Plan. The words “herein,” “hereof,” “hereto,” “hereunder” and other words
 25 of similar meaning refer to this Plan as a whole and not to any particular section,
 26 subsection or clause contained in this Plan. The rules of construction contained in section

102 of the Bankruptcy Code shall apply to the construction of this Plan. The headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions of this Plan. Unless otherwise indicated herein, all references to dollars means United States dollars.

II.

TREATMENT OF UNCLASSIFIED ADMINISTRATIVE EXPENSES CLAIMS AND PRIORITY TAX CLAIMS

2.1 Administrative Expense Claims. Administrative Expense Claims shall be paid by the Reorganized Debtor, in each case, (a) in full, in Cash, on the later of (i) the Effective Date, (ii) when due (in the case of Claims that arise or accrue in the ordinary course of the Debtor's business after the Petition Date and which become due after the Effective Date), or (iii) upon entry of a Final Order if Court approval is a precondition to payment, or (b) as may be agreed upon between the holder and the Reorganized Debtor.

2.2 Priority Tax Claims. Priority Tax Claims shall be paid by the Reorganized Debtor, in each case, in full, in Cash, on the Effective Date or as soon thereafter as the Allowed Amount is determined.

III.

CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

3.1 Classification. All Claims except Administrative Expense Claims and Priority Tax Claims and all Equity Interests are placed in the following Classes for all purposes. A Claim is classified in a particular Class only to the extent that the Claim falls within the description of that Class and is classified in other Classes to the extent that any remainder of the Claim falls within the description of such other Classes. A Claim is in a particular Class only to the extent that the Claim has not been paid, released or otherwise

1 satisfied prior to the Effective Date.

2 a. Class 1: Abandoned Property Secured Claims. Class 1 consists of
3 all Claims that are secured by liens on Abandoned Property, in each case, to the extent of
4 the holder's interest in such Collateral.

5 b. Class 2: Bank of America's Secured Claim. Class 2 consists of the
6 Allowed Secured Claim of Bank of America that is secured by liens on the Retained
7 Project in Hillsboro, Oregon known as Village at Orenco and the cash collateral thereof.

8 c. Class 3: Columbia State Bank's Secured Claim. Class 3 consists of
9 the Allowed Secured Claim of Columbia State Bank, as successor to Columbia River
10 Bank, that is secured by liens on the Retained Project in Tigard, Oregon known as
11 Walnut Creek and the cash collateral thereof.

12 d. Class 4: Construction Lien Claims. Class 4 consists of all Allowed
13 Claims that are secured by statutory liens under Oregon's Construction Lien Law (i.e.,
14 ORS 87.001 to 87.060 and 87.075 to 87.093) on the Retained Projects or by replacement
15 liens on cash proceeds of the Debtor's real property pursuant to Court orders, in each
16 case, to the extent such lien (i) is valid and enforceable under applicable law and under
17 the provisions of the Court's Administrative Order Establishing Procedures for the
18 Resolution and Payment of Prepetition Construction Lien Claims entered on July 23,
19 2008, as Document #317, and (ii) has priority over the trust deed lien of the Lender on
20 such Collateral. Each such Claim shall be deemed placed in a separate subclass for Plan
21 voting purposes.

22 e. Class 5: First Independent Bank's Secured Claim. Class 5 consists
23 of the Allowed Secured Claim of First Independent Bank to the extent it is secured by a
24 lien on the cash proceeds of Lots 1, 2, 9 and 59 in the subdivision in Tualatin, Oregon
25 known as Victoria Gardens.
26

1 f. Class 6: JP Morgan Chase Bank's Secured Claim. Class 6 consists
 2 of the Allowed Secured Claim of JPMorgan Chase Bank that is secured by liens on the
 3 Retained Project in Corvallis, Oregon known as Willamette Landing Phases 6 and 7 and
 4 the cash collateral thereof.

5 g. Class 7: KeyBank's Claims. Class 7 consists of all Claims of
 6 KeyBank, N.A. that do not fall within the description of Class 1.

7 h. Class 8: Dennis Pahlisch's Secured Claim. Class 8 consists of the
 8 Allowed Secured Claim of Dennis Pahlisch (or, if applicable, of Dennis Pahlisch and JD
 9 Investitures LLC) that is secured by a lien on the Retained Project in Corvallis, Oregon
 10 which is planned for development as a subdivision to be known as Powers.

11 i. Class 9: PMSI Equipment Secured Claims. Class 9 consists of all
 12 Allowed Secured Claims that, in each case, is secured by a purchase money security
 13 interest in equipment of the Debtor that is not surrendered to the holder of such Claim
 14 prior to the Confirmation Date.

15 j. Class 10: Property Tax Claims. Class 10 consists of all Claims of
 16 governmental units for ad valorem property taxes or similar impositions that are secured
 17 by statutory liens on the Retained Projects, in each case, to the extent such lien (i) is valid
 18 and enforceable under applicable law, and (ii) has priority over the trust deed lien, if any,
 19 on such Collateral.

20 k. Class 11: Wachovia's Claims. Class 11 consists of all Claims of
 21 Wachovia that do not fall within the description of Class 1.

22 l. Class 12: Priority Employee-Related Claims. Class 12 consists of
 23 all Allowed Unsecured Claims of the kind specified in sections 507(a)(4) and 507(a)(5)
 24 of the Bankruptcy Code.

25 m. Class 13: Priority Consumer Deposit Claims. Class 13 consists of
 26

1 all Allowed Unsecured Claims of the kind specified in section 507(a)(7) of the
 2 Bankruptcy Code (i.e., those of individuals, to the extent of \$2,425 for each such
 3 individual, that, in each case, arose from the deposit of money in connection with the
 4 purchase of property or services from the Debtor, for the personal, family, or household
 5 use of such individual, that were not delivered or provided by the Debtor).

6 n. Class 14: Customer Home Warranty Claims. Class 14 consists of
 7 all Allowed Unsecured Claims of Homeowners, to the extent of \$5,000 for the owners of
 8 any one Home, that, in each case, arose or arises under and is covered by the terms of a
 9 written warranty agreement with the Debtor.

10 o. Class 15: Director and Officer Indemnity Claims. Class 15 consists
 11 of all Claims of directors and officers of the Debtor, to the extent of \$100,000 (or such
 12 greater amount as may be authorized by the Reorganized Debtor's board of directors or
 13 shareholders) for each such individual, for indemnification under ORS 60.387 to 60.414
 14 that are not covered by insurance.

15 p. Class 16: Surety Bond Claims. Class 16 consists of all Claims of
 16 sureties that, in each case, arose or arises under a surety, maintenance or performance
 17 bond with respect to a Retained Project.

18 q. Class 17: Contractor Unsecured Claims. Class 17 consists of all
 19 Allowed Unsecured Claims that, in each case, (i) arose from performing labor or
 20 transporting or furnishing materials or supplies at one of the Debtor's project sites, (ii)
 21 has not been assigned other than for purposes of security or of collecting the Claim, and
 22 (iii) is not secured by a lien on any property (whether owned by the Debtor or other
 23 entity); provided, however, that if an entity is subrogated to the rights of a holder of a
 24 Claim of the kind specified in this Section 3.1(q), the Claim shall be classified and treated
 25 as a Class 19 Claim.
 26

1 r. Class 18: Convenience Claims. Class 18 consists of all Allowed
 2 Unsecured Claims that do not fall within the descriptions of Classes 12, 13, 14, 15, 16 or
 3 17 and that, in each case, is for an Allowed Amount of \$2,000 or less or, if for an
 4 Allowed Amount greater than \$2,000, the holder thereof irrevocably elects to reduce the
 5 Allowed Amount of such Claim to \$2,000.

6 s. Class 19: Other Claims. Class 19 consists of all Claims not
 7 otherwise classified or treated under this Plan.
 8

9 t. Class 20: Equity Interests. Class 20 consists of all Equity Interests
 10 outstanding as of the Effective Date.

11 3.2 Treatment. The Classes of Claims and Equity Interests shall receive the
 12 treatment described herein, which treatment shall be in full and complete satisfaction,
 13 settlement and release of, and in exchange for, all such Claims and Equity Interests.
 14 Following entry of the Confirmation Order (but subject to the occurrence of the Effective
 15 Date), the rights of all Creditors and Shareholders shall be limited exclusively to the
 16 specific benefits made available and set forth in the Plan.

17 a. Class 1: Abandoned Property Secured Claims. Class 1 is not
 18 impaired by the Plan, and the holders of the Class 1 Claims are not entitled to vote on the
 19 Plan. All legal, equitable and contractual rights of the holders of the Class 1 Claims with
 20 respect to Abandoned Property shall remain unaltered by this Plan and such holders may
 21 exercise all rights and remedies available to them under applicable nonbankruptcy law
 22 with regard to such property. Notwithstanding Section 8.2 of the Plan, the Reorganized
 23 Debtor shall have the right and power to convey any or all of the Abandoned Property in
 24 lieu of foreclosure of liens securing the Lenders' Claims, in each case as though the
 25 Reorganized Debtor were the Debtor before the Effective Date, without any need for
 26 Court approval. The funds in the blocked DIP accounts for the projects relating to

1 Abandoned Property shall be administered by the Reorganized Debtor after the Effective
2 Date, in each case in accordance with the terms of the Court orders governing such funds
3 as though the Reorganized Debtor were the Debtor, and the Court shall retain jurisdiction
4 over all matters concerning the administration and distribution of such funds; provided,
5 however, that except to the extent that the funds in such blocked accounts are required to
6 be reserved for the benefit of entities that hold Claims that are secured by replacement
7 liens on such funds pursuant to Court orders, the Reorganized Debtor shall distribute the
8 funds in such blocked accounts to the Lenders that have an interest in such funds as soon
9 as is practicable after the Effective Date.
10

11 b. Class 2: Bank of America's Secured Claim. Class 2 is impaired by
12 the Plan, and the holder of the Class 2 Claim is entitled to vote on the Plan. The Class 2
13 Claim shall receive the treatment described in this paragraph.

14 (i) The Allowed Amount of the Class 2 Claim shall be the amount
15 equal to the excess of \$5,585,000 over the sum of all payments made by the Debtor on
16 account of such Claim during the period October 6, 2009, through (but not including) the
17 Effective Date. The election made by the holder of the Class 2 Claim under section
18 1111(b)(2) of the Bankruptcy Code shall be deemed revoked for the purposes of this
19 Plan.

20 (ii) On the Effective Date, the Reorganized Debtor shall execute and
21 deliver the Amended Loan Documents to the holder of the Class 2 Claim. The original
22 principal amount of the replacement promissory note (the "Class 2 Note") will be the
23 Allowed Amount of the Class 2 Claim on the Effective Date.

24 (iii) Except as otherwise provided in the Amended Loan
25 Documents, the Reorganized Debtor shall pay to the holder of the Class 2 Note (A) on
26 the first Business Day of each month, commencing on the first Business Day following

1 the month in which the Effective Date falls, the amount of interest that accrues on the
 2 unpaid principal balance of the note at the Lender Interest Rate through the last day of the
 3 month immediately preceding the month in which such payment is due, (B) a principal
 4 amount equal to the applicable Lot Release Amount at the closing of each sale of a Home
 5 in Village at Orenco, and (C) on or before the third anniversary of the Effective Date, the
 6 entire unpaid balance of principal and interest owing under the Class 2 Note on such
 7 date; provided, however, that the total amount of principal payments on the Class 2 Note
 8 shall be no less than \$1,040,000 during the period beginning on the Effective Date and
 9 ending on the first anniversary thereof and no less than \$2,690,000 during the period
 10 beginning on the Effective Date and ending on the second anniversary thereof.

11 (iv) The Lot Release Amount applicable to a Home in Village at
 12 Orenco shall be \$65,000 during the period beginning on the Effective Date and ending on
 13 the day prior to the first anniversary thereof and \$75,000 thereafter, subject to adjustment
 14 at the election of the holder of such Claim once at any time after the second anniversary
 15 of the Effective Date as provided in this clause (iv) below. An election to adjust the Lot
 16 Release Amount hereunder shall be made by giving written notice thereof to the
 17 Reorganized Debtor. As soon as practicable after such notice is given, the Reorganized
 18 Debtor shall engage a qualified real estate appraiser to provide an opinion as to the “fair
 19 market value” of the platted lots in Village at Orenco, without regard to value attributable
 20 to improvements for vertical construction, as of the first day of the month next following
 21 the month in which the notice is given. If the quotient of the “fair market value” of the
 22 platted lots, as determined by the appraisal, divided by the number of the lots that are
 23 appraised is greater than \$75,000, the quotient shall become the Lot Release Amount for
 24 the sale of Homes that close from and after the date that the appraisal report is delivered
 25 to the Reorganized Debtor. Except as otherwise provided in the Amended Loan
 26

1 Documents, the appraisal shall be performed by the appraiser who prepared the latest
2 report for the Debtor or for the Reorganized Debtor, as the case may be.

3 (v) The Reorganized Debtor's obligations under the Amended Loan
4 Documents shall at all times be secured by a first priority trust deed lien on the lots in
5 Village at Orenco and on all improvements thereon and by a first priority security interest
6 in the cash collateral thereof, in each case, subject and subordinate only to Permitted
7 Liens. The Class 2 Claimant's cash collateral will at all times be held in a Blocked
8 Account maintained at Bank of America at a branch to be determined. There will be
9 deposited into the Blocked Account (A) on the Effective Date, or as soon thereafter as is
10 practicable, all funds then in the blocked DIP account for Village at Orenco, and (B) from
11 time to time thereafter in connection with each sale of a Home in Village at Orenco, the
12 following amount: (1) if the Home that is sold is one that was completed on the Effective
13 Date (including a model home), the amount of \$250,000, or (2) for other Homes, the total
14 amount of all costs and expenses incurred by the Debtor after the Petition Date or by the
15 Reorganized Debtor after the Effective Date in connection with the construction of such
16 Home and which are paid from the blocked DIP account (prior to the Effective Date) or
17 from the Blocked Account (after the Effective Date), to the extent that the Blocked
18 Account has not been replenished for such advances from other sources. Except as
19 prohibited by the terms of the Amended Loan Documents, the Reorganized Debtor will
20 be permitted to use the funds in the Blocked Account, from time to time until all lots in
21 Village at Orenco have been sold or otherwise disposed of, solely for the purposes of
22 paying obligations incurred by it in the ordinary course of business in connection with the
23 construction of new Homes on lots in Village at Orenco. Except for the Lot Release
24 Amounts to be paid to the Class 2 Claimant and for the amounts that are required to be
25 deposited into the Blocked Account, the Reorganized Debtor will retain for general
26

1 corporate purposes all proceeds from the sale of completed Homes in Village at Orenco
 2 made in the ordinary course of business, in each case, free and clear of the Class 2
 3 Claimant's lien.

4 (vi) Except as otherwise provided in the Amended Loan Documents
 5 and subject to the provisions of the next sentence for sales other than in the ordinary
 6 course of business, each sale of a completed Home by the Reorganized Debtor in the
 7 ordinary course of business shall be free and clear of all liens thereon which secure the
 8 Class 2 Claim, with such liens to attach to the proceeds of sale (in each case net of all
 9 direct and customary costs of sale and of property taxes and similar governmental
 10 impositions payable in connection with such sale) to the extent of the Lot Release
 11 Amount and of the amounts that are required to be deposited into the Blocked Account
 12 under the provisions of clause (v) above. Anything in this Plan to the contrary
 13 notwithstanding, in the event that any Collateral securing the Class 2 Claim is to be sold
 14 by the Reorganized Debtor other than in the ordinary course of business and if, at such
 15 time, the Class 2 Claim remains unsatisfied, such sale shall be subject to the Class 2
 16 Claimant's right to credit bid at such sale.

17 (vii) On the Effective Date, all Causes of Action against the holder
 18 of the Class 2 Claim, if any, shall be deemed waived and relinquished by the Reorganized
 19 Debtor.
 20

21 c. Class 3: Columbia State Bank's Secured Claim. Class 3 is impaired
 22 by the Plan, and the holder of the Class 3 Claim is entitled to vote on the Plan. The Class
 23 3 Claim shall receive the treatment described in this paragraph.

24 (i) The Allowed Amount of the Class 3 Claim shall be the amount
 25 equal to the excess of \$4,500,000 over the sum of all payments made by the Debtor on
 26 account of such Claim during the period October 1, 2009, through (but not including) the

1 Effective Date.

2 (ii) On the Effective Date, the Reorganized Debtor shall execute and
3 deliver the Amended Loan Documents to the holder of the Class 3 Claim. The original
4 principal amount of the replacement promissory note (the "Class 3 Note") will be the
5 Allowed Amount of the Class 3 Claim on the Effective Date.

6 (iii) Except as otherwise provided in the Amended Loan
7 Documents, the Reorganized Debtor shall pay to the holder of the Class 3 Note (A) on
8 the first Business Day of each month, commencing on the first Business Day following
9 the month in which the Effective Date falls, the amount of interest that accrues on the
10 unpaid principal balance of the note at the Lender Interest Rate through the last day of the
11 month immediately preceding the month in which such payment is due, (B) a principal
12 amount equal to the Lot Release Amount at the closing of each sale of a Home in Walnut
13 Creek, and (C) on or before the third anniversary of the Effective Date, the entire unpaid
14 balance of principal and interest owing under the Class 3 Note on such date.

15 (iv) The Lot Release Amount for a Home in Walnut Creek shall be
16 \$80,000.

17 (v) The Reorganized Debtor's obligations under the Amended Loan
18 Documents shall at all times be secured by a first priority trust deed lien on the lots in
19 Walnut Creek and on all improvements thereon and by a first priority security interest in
20 the cash collateral thereof, in each case, subject and subordinate only to Permitted Liens.
21 The Class 3 Claimant's cash collateral will at all times be held in a Blocked Account
22 maintained at Columbia State Bank at a branch to be determined. There will be
23 deposited into the Blocked Account (A) on the Effective Date, or as soon thereafter as is
24 practicable, all funds then in the blocked DIP account for Walnut Creek, and (B) from
25 time to time thereafter in connection with each sale of a Home in Walnut Creek, the
26

1 following amount: (1) if the Home that is sold is one that was completed on the Effective
 2 Date (including a model home), the amount of \$167,900 for a “Juniper”-style home or
 3 the amount of \$153,100 for a “Willow”-style home, or (2) for other Homes, the total
 4 amount of all costs and expenses incurred by the Debtor after the Petition Date or by the
 5 Reorganized Debtor after the Effective Date in connection with the construction of such
 6 Home and which are paid from the blocked DIP account (prior to the Effective Date) or
 7 from the Blocked Account (after the Effective Date), to the extent that the Blocked
 8 Account has not been replenished for such advances from other sources. Except as
 9 prohibited by the terms of the Amended Loan Documents, the Reorganized Debtor will
 10 be permitted to use the funds in the Blocked Account, from time to time until all lots in
 11 Walnut Creek have been sold or otherwise disposed of, solely for the purposes of paying
 12 obligations incurred by it in the ordinary course of business in connection with the
 13 construction of new Homes on lots in Walnut Creek. Except for the Lot Release
 14 Amounts to be paid to the Class 3 Claimant and for the amounts that are required to be
 15 deposited into the Blocked Account, the Reorganized Debtor will retain for general
 16 corporate purposes all proceeds from the sale of completed Homes in Walnut Creek made
 17 in the ordinary course of business, in each case, free and clear of the Class 3 Claimant’s
 18 lien.
 19

20 (vi) Except as otherwise provided in the Amended Loan Documents
 21 and subject to the provisions of the next sentence for sales other than in the ordinary
 22 course of business, each sale of a completed Home by the Reorganized Debtor in the
 23 ordinary course of business shall be free and clear of all liens thereon which secure the
 24 Class 3 Claim, with such liens to attach to the proceeds of sale (in each case net of all
 25 direct and customary costs of sale and of property taxes and similar governmental
 26 impositions payable in connection with such sale) to the extent of the Lot Release

1 Amount and of the amounts that are required to be deposited into the Blocked Account
 2 under the provisions of clause (v) above. Anything in this Plan to the contrary
 3 notwithstanding, in the event that any Collateral securing the Class 3 Claim is to be sold
 4 by the Reorganized Debtor other than in the ordinary course of business and if, at such
 5 time, the Class 3 Claim remains unsatisfied, such sale shall be subject to the Class 3
 6 Claimant's right to credit bid at such sale.

7
 8 (vii) On the Effective Date, all Causes of Action against the holder
 9 of the Class 3 Claim, if any, shall be deemed waived and relinquished by the Reorganized
 10 Debtor.

11 d. Class 4: Construction Lien Claims. Class 4 is impaired by the Plan,
 12 and each holder of a Class 4 Claim is entitled to vote on the Plan. The Reorganized
 13 Debtor shall pay to each holder of an Allowed Class 4 Claim, in Cash from the proceeds
 14 of the Collateral securing such Claim, the Allowed Amount thereof on the later of (i) ten
 15 Business Days after entry of a Final Order determining the validity, priority and extent of
 16 such Class 4 Claim or after an agreement is reached among such holder, the Reorganized
 17 Debtor and the Lender which holds the recorded trust deed lien on the property on which
 18 such holder asserts a statutory lien as to the Allowed Amount of such Class 4 Claim, or
 19 (ii) the closing of a sale of the Collateral securing such Class 4 Claim. Nothing in this
 20 Plan shall affect any Final Order determining the validity, priority or extent of a Class 4
 21 Claim which is entered before the Effective Date. Until the Allowed Amount of a Class
 22 4 Claim has been fully paid or satisfied, the lien securing such Claim shall remain valid
 23 and effective notwithstanding the expiration of the date by which such lien must be
 24 foreclosed under Oregon's Construction Lien Law. Upon payment of the Allowed
 25 Amount of a Class 4 Claim, the Collateral securing such Claim shall be free and clear of
 26 all liens securing such Claim.

1 e. Class 5: First Independent Bank's Secured Claim. Class 5 is not
 2 impaired by the Plan, and the holder of the Class 5 Claim is not entitled to vote on the
 3 Plan. Notwithstanding the occurrence of the Effective Date, the Class 5 Claim shall
 4 continue to be secured by a first priority lien on the cash proceeds of Lots 1, 2, 9, and 59
 5 in Victoria Gardens, in each case, subject and subordinate only to liens that secure
 6 Allowed Class 4 Claims. The Class 5 Claim shall be satisfied from such cash collateral
 7 in accordance with the terms of the Agreement for Allowance of Claims and Disposition
 8 of Collateral, dated as of January 25, 2010, between the Debtor and First Independent
 9 Bank, as approved by the Court's Order Approving Settlement of Claims of First
 10 Independent Bank entered on March 8, 2010, as Document #1967 (the "FIB Settlement
 11 Agreement"). Notwithstanding anything to the contrary contained elsewhere in the Plan,
 12 the provisions of the FIB Settlement Agreement shall continue in full force and effect
 13 after the Effective Date.

14 f. Class 6: JP Morgan Chase Bank's Secured Claim. Class 6 is
 15 impaired by the Plan, and the holder of the Class 6 Claim is entitled to vote on the Plan.
 16 The Class 6 Claim shall receive the treatment described in this paragraph.

17 (i) The Allowed Amount of the Class 6 Claim shall be the amount
 18 equal to the Fair Value, as of the Effective Date, of the Collateral securing such Claim,
 19 which shall be the amount equal to the difference between (A) the sum of (1) the total
 20 number of lots in Phase 6 on the Effective Date on which vertical construction has not
 21 commenced multiplied by the stipulated fair value of \$30,357 per lot, (2) the total
 22 number of lots in Phase 7 on the Effective Date on which vertical construction has not
 23 commenced multiplied by the stipulated fair value of \$43,333 per lot, (3) for each Home
 24 under construction on the Effective Date, the stipulated fair value of the lot under clause
 25 (1) or (2) above, as the case may be, plus the total amount of all costs and expenses
 26

1 incurred by the Debtor after the Petition Date in connection with the construction of such
 2 Home which are paid before the Effective Date from funds in the blocked DIP account
 3 for Willamette Landing, (4) the number of completed Homes (including the model
 4 homes) in Phase 6 on the Effective Date multiplied by \$187,300, (5) the number of
 5 completed Homes (including the model home) in Phase 7 on the Effective Date
 6 multiplied by \$238,880, (6) the amount of \$613,280, representing the stipulated fair value
 7 of the three model homes on lots 358, 359 and 360, and (7) the amount on deposit in the
 8 blocked DIP account for Willamette Landing on the Effective Date, and (B) the sum of
 9 (1) all Claims for ad valorem property taxes that are secured by liens on Willamette
 10 Landing which remain unpaid on the Effective Date, (2) all Class 4 Claims that are
 11 secured by a replacement lien on funds in the blocked DIP account for Willamette
 12 Landing and which remain unpaid or otherwise unresolved on the Effective Date, and (3)
 13 the total amount of all costs and expenses incurred by the Debtor after the Petition Date
 14 in connection with the construction of Homes in Willamette Landing which remain
 15 unpaid on the Effective Date. The election made by the holder of the Class 6 Claim
 16 under section 1111(b)(2) of the Bankruptcy Code shall be deemed revoked for the
 17 purposes of this Plan.
 18

19 (ii) On the Effective Date, the Reorganized Debtor shall execute and
 20 deliver the Amended Loan Documents to the holder of the Class 6 Claim. The original
 21 principal amount of the replacement promissory note (the "Class 6 Note") will be the
 22 Allowed Amount of the Class 6 Claim on the Effective Date.

23 (iii) Except as otherwise provided in the Amended Loan
 24 Documents, the Reorganized Debtor shall pay to the holder of the Class 6 Note (A) on
 25 the first Business Day of each month, commencing on the first Business Day following
 26 the month in which the Effective Date falls, the amount of interest that accrues on the

1 unpaid principal balance of the note at the Lender Interest Rate through the last day of the
 2 month immediately preceding the month in which such payment is due, (B) a principal
 3 amount equal to the applicable Lot Release Amount at the closing of each sale of a Home
 4 in Phase 6 or Phase 7 of Willamette Landing, and (C) on or before the earlier of the third
 5 anniversary of the Effective Date and the date on which all lots in Phases 6 and 7 of
 6 Willamette Landing have been sold and the sales have closed, the entire unpaid balance
 7 of principal and interest owing under the Class 6 Note on such date.
 8

9 (iv) The Lot Release Amount applicable to a Home in Phase 6 of
 10 Willamette Landing shall be \$30,357 during the period beginning on the Effective Date
 11 and ending on the day prior to the first anniversary thereof and \$40,357 thereafter and the
 12 Lot Release Amount applicable to a Home in Phase 7 of Willamette Landing shall be
 13 \$43,333 during the period beginning on the Effective Date and ending on the day prior to
 14 the first anniversary thereof and \$53,333 thereafter, in each case subject to adjustment at
 15 the election of the holder of such Claim from time to time, but no more frequently than
 16 once within any 180-day period, as provided in this clause (iv) below. An election to
 17 adjust a Lot Release Amount hereunder shall be made by giving written notice thereof to
 18 the Reorganized Debtor. As soon as practicable after such notice is given, the
 19 Reorganized Debtor shall engage a qualified real estate appraiser to provide an opinion as
 20 to the "fair market value" of the platted lots in Phase 6 or Phase 7, as the case may be,
 21 without regard to value attributable to improvements for vertical construction, as of the
 22 first day of the month next following the month in which the notice is given. The
 23 quotient of the "fair market value" of the platted lots, as determined by the appraisal,
 24 divided by the number of the lots that are appraised shall become the Lot Release
 25 Amount for the sale of Homes in the applicable Phase that close from and after the date
 26 that the appraisal report is delivered to the Reorganized Debtor. Except as otherwise

1 provided in the Amended Loan Documents, the appraisal shall be performed by the
 2 appraiser who prepared the latest report for the Debtor or for the Reorganized Debtor, as
 3 the case may be.
 4

5 (v) The Reorganized Debtor's obligations under the Amended Loan
 6 Documents shall at all times be secured by a first priority trust deed lien on the lots in
 7 Phases 6 and 7 of Willamette Landing and on all improvements thereon and by a first
 8 priority security interest in the cash collateral thereof, in each case, subject and
 9 subordinate only to Permitted Liens. The Class 6 Claimant's cash collateral will at all
 10 times be held in a Blocked Account maintained at a depository bank to be designated by
 11 the Class 6 Claimant at a branch to be determined. There will be deposited into the
 12 Blocked Account (A) on the Effective Date, or as soon thereafter as is practicable, all
 13 funds then in the blocked DIP account for Willamette Landing, and (B) from time to time
 14 thereafter in connection with each sale of a Home in Phase 6 or Phase 7 of Willamette
 15 Landing, the following amount: (1) if the Home that is sold is one that was completed on
 16 the Effective Date, an amount equal to the excess of the stipulated fair value of such
 17 Home in clause (i) above (i.e. \$175,500 for the model home on lot 358, \$198,900 for the
 18 model home on lot 359, \$238,880 for the model home on lot 360, \$187,300 for a
 19 completed home in Phase 6 other than a model home, and \$238,880 for a completed
 20 home in Phase 7 other than a model home) over the applicable Lot Release Amount, or
 21 (2) for other Homes, the total amount of all costs and expenses incurred by the Debtor
 22 after the Petition Date or by the Reorganized Debtor after the Effective Date in
 23 connection with the construction of such Home and which are paid from the blocked DIP
 24 account (prior to the Effective Date) or from the Blocked Account (after the Effective
 25 Date), to the extent that the Blocked Account has not been replenished for such advances
 26 from other sources. Except as prohibited by the terms of the Amended Loan Documents,

1 the Reorganized Debtor will be permitted to use the funds in the Blocked Account, from
2 time to time until all lots in Phases 6 and 7 of Willamette Landing have been sold or
3 otherwise disposed of, solely for the purposes of paying obligations incurred by it in the
4 ordinary course of business in connection with the construction of new Homes on lots in
5 Phases 6 and 7 of Willamette Landing. Except for the Lot Release Amounts to be paid to
6 the Class 6 Claimant and for the amounts that are required to be deposited into the
7 Blocked Account, the Reorganized Debtor will retain for general corporate purposes all
8 proceeds from the sale of completed Homes in Willamette Landing made in the ordinary
9 course of business, in each case, free and clear of the Class 6 Claimant's lien.
10

11 (vi) Except as otherwise provided in the Amended Loan Documents
12 and subject to the provisions of the next sentence for sales other than in the ordinary
13 course of business, each sale of a completed Home by the Reorganized Debtor in the
14 ordinary course of business shall be free and clear of all liens thereon which secure the
15 Class 6 Claim, with such liens to attach to the proceeds of sale (in each case net of all
16 direct and customary costs of sale and of property taxes and similar governmental
17 impositions payable in connection with such sale) to the extent of the Lot Release
18 Amount and of the amounts that are required to be deposited into the Blocked Account
19 under the provisions of clause (v) above. Anything in this Plan to the contrary
20 notwithstanding, in the event that any Collateral securing the Class 6 Claim is to be sold
21 by the Reorganized Debtor other than in the ordinary course of business and if, at such
22 time, the Class 6 Claim remains unsatisfied, such sale shall be subject to the Class 6
23 Claimant's right to credit bid at such sale.

24 (vii) On the Effective Date, all Causes of Action against the holder
25 of the Class 6 Claim, if any, shall be deemed waived and relinquished by the Reorganized
26 Debtor.

1 g. Class 7: Key Bank's Claims. Class 7 is impaired by the Plan, and
 2 the holder of the Class 7 Claims is entitled to vote on the Plan. The Class 7 Claims shall
 3 receive the treatment described in this paragraph.
 4

5 (i) On the Effective Date, or as soon thereafter as is practicable, the
 6 Reorganized Debtor and KeyBank shall cause to be dismissed, with prejudice and
 7 without cost to any party, the appeal that is pending in the United States Court of Appeals
 8 for the Ninth Circuit under Case No. 09-35680.

9 (ii) On the Effective Date, or as soon thereafter as is practicable, the
 10 Reorganized Debtor shall pay to the holder of the Class 7 Claims, in partial satisfaction
 11 of such Claims, all funds then on deposit in the blocked DIP accounts for Bauer
 12 Highlands, Edgewater on the Tualatin ("Edgewater"), Stonewater and The Q
 13 Condominiums at Orenco Station (collectively, the "KeyBank Collateral DIP Accounts"),
 14 less the sum of (A) all Claims for ad valorem property taxes that are secured by liens on
 15 Edgewater Phases 1, 2 and East which remain unpaid on the Effective Date, (B) 125
 16 percent of all Class 4 Claims that are secured by a replacement lien on funds in the
 17 KeyBank Collateral DIP Accounts and which remain unpaid or otherwise unresolved on
 18 the Effective Date, and (C) the total amount of all costs and expenses incurred by the
 19 Debtor after the Petition Date in connection with the construction of Homes in Edgewater
 20 which remain unpaid on the Effective Date. Promptly following payment in full of all
 21 property tax Claims, all Allowed Class 4 Claims, and all costs and expenses described in
 22 clauses (A), (B) and (C) of the immediately preceding sentence, the Reorganized Debtor
 23 shall pay to the holder of the Class 7 Claims all funds then remaining in the KeyBank
 24 Collateral DIP Accounts.

25 (iii) The Allowed Amount of the Class 7 Claims shall be the amount
 26 equal to the sum of (A) the total amount of all costs and expenses incurred by the Debtor

1 after the Petition Date in connection with the construction of the Homes in Edgewater
 2 Phases 1, 2 and East that are completed or under construction on the Effective Date (each
 3 a “Started Home” and collectively the “Started Homes”) which were or will be paid from
 4 funds in the KeyBank Collateral DIP Accounts, (B) the product of the total number of lots
 5 in Edgewater Phases 1, 2 and East on the Effective Date (including Started Homes)
 6 multiplied by \$75,000, and (C) \$1,700,000, without adjustment for payments made to
 7 such holder before the Effective Date or pursuant to clause (ii) above. The portion of the
 8 Allowed Amount of the Class 7 Claims allocable to the Started Homes shall be set forth
 9 in a schedule, which shall be delivered to the holder of the Class 7 Claims as soon as
 10 practicable after the Effective Date. The Allowed Amount of the Class 7 Claims
 11 allocable to the Started Homes shall be reduced as the Started Homes are sold, in each
 12 case by the amount shown in such schedule.
 13

14 (iv) On the Effective Date, the Reorganized Debtor shall (A) pay to
 15 the holder of the Class 7 Claims the amount of \$1,700,000, and (B) execute and deliver
 16 the Amended Loan Documents to the holder of the Class 7 Claims. The original principal
 17 amount of the replacement promissory note (the “Class 7 Note”) will be the amount equal
 18 to the excess of the Allowed Amount of the Class 7 Claims on the Effective Date over
 19 \$1,700,000. The holder of the Class 7 Note shall not have recourse against the
 20 Reorganized Debtor on account of the indebtedness evidenced thereby, but will have only
 21 the rights provided in this Plan and in the Amended Loan Documents with respect to the
 22 property that from time to time secures the Class 7 Note.

23 (v) Except as otherwise provided in the Amended Loan Documents,
 24 the Reorganized Debtor shall pay to the holder of the Class 7 Note (A) on the first
 25 Business Day of each month, commencing the first Business Day following the month in
 26 which the Effective Date falls, the amount of interest that accrues on the unpaid principal

1 balance of the note at the Lender Interest Rate through the last day of the month
 2 immediately preceding the month in which such payment is due, (B) an amount equal to
 3 the applicable Lot Release Amount at the closing of each sale of a completed Home in
 4 Edgewater, and (C) on or before the fifth anniversary of the Effective Date, the entire
 5 unpaid balance of principal and interest owing under the Class 7 Note on such date.

6 (vi) On the Effective Date, subject to KeyBank's receipt of the
 7 payments to be made to it on the Effective Date under clauses (ii) and (iv)(A) above, the
 8 Reorganized Debtor shall have access to the KeyBank Revolving Vertical Construction
 9 Loan Facility.

10 (vii) The Lot Release Amount applicable to a Home in Edgewater
 11 shall be (A) if the Home that is sold is one of the Started Homes, the amount that is
 12 required to be paid to the holder of the Class 7 Note under the Edgewater Started Home
 13 Waterfall, or (B) for other Homes, the amount that is set forth in a separate schedule to be
 14 agreed upon by the Debtor and the holder of the Class 7 Claims before the Confirmation
 15 Date (provided that that the mean average of the Lot Release Amounts for such Homes
 16 shall be \$75,000).

17 (viii) The Reorganized Debtor's obligations under the Amended
 18 Loan Documents shall at all times be secured by a first priority trust deed lien on the lots
 19 in Edgewater Phases 1, 2 and East and on all improvements located thereon and by a first
 20 priority security interest in the Blocked Account, in each case, subject and subordinate
 21 only to Permitted Liens. On the Effective Date, or as soon thereafter as is practicable, the
 22 Reorganized Debtor shall establish a Blocked Account and deposit therein the amounts
 23 required by the terms of the agreement governing the KeyBank Revolving Vertical
 24 Construction Loan Facility for reserves for interest charges and property taxes assessed
 25 against Edgewater Phases 1, 2 and East. Except for the Lot Release Amounts that are
 26

1 required to be paid under the Class 7 Note and for the amounts that are required to be paid
 2 at closings under the terms of the agreement governing the KeyBank Revolving Vertical
 3 Construction Loan Facility, the Reorganized Debtor will retain for general corporate
 4 purposes all proceeds from the sale of completed Homes in Edgewater made in the
 5 ordinary course of business, in each case, free and clear of the Class 7 Claimant's lien.

6 (ix) Except as otherwise provided in the Amended Loan Documents
 7 and subject to the provisions of the next sentence for sales other than in the ordinary
 8 course of business, each sale of a completed Home by the Reorganized Debtor in the
 9 ordinary course of business shall be free and clear of all liens thereon which secure the
 10 Class 7 Claims upon payment to the holder of the Class 7 Claims of the applicable Lot
 11 Release Amount and of the amounts that are required to be paid at closing under the terms
 12 of the agreement governing the KeyBank Revolving Vertical Construction Loan Facility.
 13 Anything in this Plan to the contrary notwithstanding, in the event that any Collateral
 14 securing the Class 7 Claims is to be sold by the Reorganized Debtor other than in the
 15 ordinary course of business and if, at such time, the Class 7 Claims remain unsatisfied,
 16 such sale shall be subject to the Class 7 Claimant's right to credit bid at such sale.

17 (x) On the Effective Date, the holder of the Class 7 Claims shall
 18 be permitted to foreclose its trust deed liens on, and otherwise exercise all rights and
 19 remedies available to such holder until applicable nonbankruptcy law with regard to, all
 20 Collateral that then secures the Class 7 Claims other than the lots in Edgewater Phases 1,
 21 2 and East, the improvements located thereon and all personal property related thereto.
 22 At any time after the Effective Date, the Reorganized Debtor shall, from time to time
 23 upon the written request of the holder of the Class 7 Claims, convey to KeyBank, or to an
 24 entity designated by keyBank, any or all of such Collateral, in each case, subject to all
 25 liens and other encumbrances on such property and pursuant to a statutory bargain and
 26

1 sale deed containing a non-merger clause.

2 (xi) On the Effective Date, all Causes of Action against the holder of
3 the Class 7 Claims, if any, shall be deemed waived and relinquished by the Reorganized
4 Debtor.

5 h. Class 8: Dennis Pahlisch's Secured Claim. Class 8 is not impaired
6 by the Plan, and the holder of the Class 8 Claim is not entitled to vote on the Plan. The
7 Class 8 Claim shall be paid by the Reorganized Debtor in accordance with the terms of
8 the agreements under which such Claim arose without acceleration of the maturity date
9 thereof.

10 i. Class 9: PMSI Equipment Secured Claims. Class 9 is not impaired
11 by the Plan, and the holders of the Class 9 Claims are not entitled to vote on the Plan. At
12 the Reorganized Debtor's option, each Class 9 Claim will be satisfied in a manner that is
13 permissible under section 1124 of the Bankruptcy Code.

14 j. Class 10: Property Tax Claims. Class 10 is not impaired by the
15 Plan, and the holders of the Class 10 Claims are not entitled to vote on the Plan. The
16 Reorganized Debtor shall pay to each holder of an Allowed Class 10 Claim that is
17 secured by a Retained Project the full amount of such Claim on the Effective Date or as
18 soon thereafter as the Allowed Amount is determined.

19 k. Class 11: Wachovia's Claims. Class 11 is impaired by the Plan, and
20 the holder of the Class 11 Claims is entitled to vote on the Plan. The Class 11 Claims
21 shall receive the treatment described in this paragraph.

22 (i) On the Effective Date, if not earlier paid, the Reorganized Debtor
23 shall pay to the holder of the Class 11 Claims, in partial satisfaction of such Claims, all
24 funds then on deposit in the blocked DIP account for the subdivision in Wilsonville,
25 Oregon known as Legend at Villebois (the "Villebois DIP Account"), less the sum of (A)
26

1 125 percent of all Class 4 Claims that are secured by a replacement lien on funds in the
2 Villebois DIP Account and which remain unpaid or otherwise unresolved on the
3 Effective Date, and (B) the total amount of all costs and expenses incurred by the Debtor
4 after the Petition Date in connection with the construction of Homes in Villebois which
5 remain unpaid on the Effective Date and on account of which there is no commitment by
6 the holder of the Class 11 Claims to make advances to the Reorganized Debtor under the
7 Wachovia Revolving Vertical Construction Loan Facility. Promptly following payment
8 in full of all Allowed Class 4 Claims and all costs and expenses described in clauses (A)
9 and (B) of the immediately preceding sentence, the Reorganized Debtor shall pay to the
10 holder of the Class 11 Claims all funds then remaining in the Villebois DIP Account.
11

12 (ii) The Allowed Amount of the Class 11 Claims shall be the
13 amount equal to the excess of \$21,573,758.96 over the total amount that is paid to the
14 holder of the Class 11 Claims from the Villebois DIP Account (whether paid before or
15 after the Effective Date).

16 (iii) On the Effective Date, the Reorganized Debtor shall execute
17 and deliver the Amended Loan Documents to the holder of the Class 11 Claims. The
18 original principal amount of the replacement promissory note (the "Class 11 Note") will
19 be the Allowed Amount of the Class 11 Claims on the Effective Date. The holder of the
20 Class 11 Note shall not have recourse against the Reorganized Debtor on account of the
21 indebtedness evidenced thereby, but shall have only the rights provided in this Plan and
22 in the Amended Loan Documents with respect to the property that from time to time
23 secures the Class 11 Note.

24 (iv) Except as otherwise provided in the Amended Loan
25 Documents, the Reorganized Debtor shall pay to the holder of the Class 11 Note (A) on
26 the Effective Date, the amount of \$1,200,000, (B) on the Effective Date, or as soon

1 thereafter as is practicable after the initial advance is available to the Reorganized Debtor
 2 under the Wachovia Revolving Vertical Construction Loan Facility, the amount of
 3 \$310,000, (C) an amount equal to the Lot Release Amount at the closing of each sale of a
 4 Home in Villebois Phase 1, and (D) on or before the fifth anniversary of the Effective
 5 Date, the entire unpaid balance of principal and interest, if any, owing under the Class 11
 6 Note on such date; provided, however, that if no Event of Default (as defined in the
 7 Amended Loan Documents) has occurred and is continuing, the Class 11 Note shall be
 8 deemed fully paid and satisfied when the Reorganized Debtor has made payments
 9 thereunder totaling \$16,630,000, exclusive of payments made from the Villebois DIP
 10 Account (whether paid before or after the Effective Date).

11 (v) On the Effective Date, subject to Wachovia's receipt of the
 12 payments to be made to it on the Effective Date under clauses (i) and (iv)(A) above, the
 13 Reorganized Debtor shall have access to the Wachovia Revolving Vertical Construction
 14 Loan Facility.

15 (vi) The Lot Release Amount for a Home in Villebois Phase 1 shall
 16 be \$90,000.

17 (vii) The Reorganized Debtor's obligations under the Amended
 18 Loan Documents shall at all times be secured by a first priority trust deed lien on the lots
 19 in Villebois Phase 1 and on all improvements thereon and by a first priority security
 20 interest in the personal property related thereto and in the Blocked Account, in each case,
 21 subject and subordinate only to Permitted Liens. On the Effective Date, or as soon
 22 thereafter as is practicable, the Reorganized Debtor shall establish a Blocked Account
 23 and deposit therein the amounts required by the terms of the agreement governing the
 24 Wachovia Revolving Vertical Construction Loan Facility for reserves for property taxes
 25 and homeowner association fees assessed against Villebois Phase 1. Except for the Lot
 26

1 Release Amounts that are required to be paid under the Class 11 Note and for the
 2 amounts that are required to be paid at closings under the terms of the agreement
 3 governing the Wachovia Revolving Vertical Construction Loan Facility, the Reorganized
 4 Debtor will retain for general corporate purposes all proceeds from the sale of completed
 5 Homes in Villebois Phase 1 made in the ordinary course of business, in each case, free
 6 and clear of the Class 11 Claimant's lien.

7 (viii) Except as otherwise provided in the Amended Loan
 8 Documents and subject to the provisions of the next sentence for sales other than in the
 9 ordinary course of business, each sale of a completed Home by the Reorganized Debtor
 10 in the ordinary course of business shall be free and clear of all liens thereon which secure
 11 the Class 11 Claims upon payment to the holder of Class 11 Claims of the Lot Release
 12 Amount and of the amounts that are required to be paid at closing under the terms of the
 13 agreement governing the Wachovia Revolving Vertical Construction Loan Facility.
 14 Anything in this Plan to the contrary notwithstanding, in the event that any Collateral
 15 securing the Class 11 Claims is to be sold by the Reorganized Debtor other than in the
 16 ordinary course of business and if, at such time, the Class 11 Claims remain unsatisfied,
 17 such sale shall be subject to the Class 11 Claimant's right to credit bid at such sale.

18 (ix) On the Effective Date, all Causes of Action against the holder of
 19 the Class 11 Claims, if any, shall be deemed waived and relinquished by the Reorganized
 20 Debtor.

21 1. Class 12: Priority Employee-Related Claims. Class 12 is not
 22 impaired by the Plan, and the holders of Class 12 Claims are not entitled to vote on the
 23 Plan. The rights to which the Class 12 Claims entitle the holders thereof shall remain
 24 unaltered by the Plan. The Reorganized Debtor shall pay or perform, in each case when
 25 due to be paid or performed by the Debtor, the Allowed Class 12 Claims to the extent
 26

1 they have not been paid or otherwise satisfied prior to the Effective Date.

2 m. Class 13: Priority Consumer Deposit Claims. Class 13 is not
3 impaired by the Plan, and the holders of Class 13 Claims are not entitled to vote on the
4 Plan. The Reorganized Debtor shall pay to each holder of an Allowed Class 13 Claim, in
5 Cash, an amount equal to the Allowed Amount thereof on the Effective Date or as soon
6 thereafter as the Allowed Amount is determined.

7 n. Class 14: Customer Home Warranty Claims. Class 14 is not
8 impaired by the Plan, and the holders of Class 14 Claims are not entitled to vote on the
9 Plan. The rights to which the Class 14 Claims entitle the holders thereof shall remain
10 unaltered by the Plan. The Reorganized Debtor shall pay or perform, in each case when
11 due to be paid or performed by the Debtor, the Allowed Class 14 Claims to the extent
12 they have not been paid or otherwise satisfied prior to the Effective Date.

13 o. Class 15: Director and Officer Indemnity Claims. Class 15 is not
14 impaired by the Plan, and the holders of Class 15 Claims are not entitled to vote on the
15 Plan. The rights to which the Class 15 Claims entitle the holders thereof shall remain
16 unaltered by the Plan.

17 p. Class 16: Surety Bond Claims. Class 16 is not impaired by the
18 Plan, and the holders of Class 16 Claims are not entitled to vote on the Plan. The rights
19 to which the Class 16 Claims entitle the holders thereof shall remain unaltered by the
20 Plan.

21 q. Class 17: Contractor Unsecured Claims. Class 17 is impaired by
22 the Plan, and each holder of a Class 17 Claim is entitled to vote on the Plan. The
23 Reorganized Debtor shall pay to each holder of an Allowed Class 17 Claim, in Cash, an
24 amount equal to 50 percent of the Allowed Amount thereof on the Effective Date or as
25 soon thereafter as the Allowed Amount is determined.
26

1 r. Class 18: Convenience Claims. Class 18 is impaired by the Plan,
 2 and each holder of a Class 18 Claim is entitled to vote on the Plan. The Reorganized
 3 Debtor shall pay to each holder of an Allowed Class 18 Claim, in Cash, an amount equal
 4 to 50 percent of the Allowed Amount thereof on the Effective Date or as soon thereafter
 5 as the Allowed Amount is determined.

6 s. Class 19: Other Claims. Class 19 is impaired by the Plan, and each
 7 holder of an Allowed Class 19 Claim is entitled to vote on the Plan. The Reorganized
 8 Debtor shall pay to each holder of an Allowed Class 19 Claim, in Cash, such holder's Pro
 9 Rata share of the following amounts up to the Allowed Amount of such Claim: (i)
 10 \$5,000,000 (the "Initial Plan Payment"); (ii) the greater of \$7,000,000 and the amount
 11 equal to 35 percent of cumulative Adjusted EBITDA for the period beginning the
 12 Effective Date and ending the last day of the month immediately preceding the fourth
 13 anniversary of the Effective Date and ending the last day of the month immediately
 14 preceding the fourth anniversary of the Effective Date (the "Annual Plan Payments");
 15 and (iii) the amount equal to 100 percent of Insider Recoveries. The Reorganized Debtor
 16 shall fund these Cash distributions as follows: (A) on the Effective Date, the Initial Plan
 17 Payment; (B) within 90 days after each anniversary of the Effective date, until the fourth
 18 anniversary of the Effective Date, the amount equal to the sum of (1) the Insider
 19 Recoveries collected by the Committee during the 12-month period ending on such
 20 anniversary, and (2) the excess of 35 percent of Adjusted EBITDA, measured from the
 21 Effective Date through the last day of the month immediately preceding such
 22 anniversary, over the total amount of Annual Plan Payments previously made by the
 23 Reorganized Debtor; and (C) within 180 days after the fourth anniversary of the Effective
 24 Date, the amount equal to the shortfall, if any, between \$7,000,000 and the total amount
 25 of Annual Plan Payments made by the Reorganized Debtor. Subject to the provisions of
 26

Article V below, such Cash distributions shall be made to the holders of Allowed Class 19 Claims within 30 days after each distribution is required to be funded by the Reorganized Debtor under this Section 3.2(s). Until the Reorganized Debtor has fulfilled its obligations under the Plan to the holders of Class 19 Claims, it shall provide such reports and information respecting the Cash distributions paid or required to be paid by the Reorganized Debtor hereunder on account of Allowed Class 19 Claims (including information supporting the calculation of such distributions and about the status of the funding of such distributions) as holders of Class 19 Claims may reasonably request in writing from time to time.

t. Class 20: Equity Interests. Class 20 is impaired by the Plan, and each Shareholder is conclusively presumed to have rejected the Plan. All Equity Interests shall be cancelled and extinguished as of the Effective Date, and the Shareholders shall not receive or retain on account of their Equity Interests any property or other consideration under the Plan.

IV. MEANS FOR THE IMPLEMENTATION OF THE PLAN

In addition to the provisions set forth elsewhere in this Plan, the following shall constitute the means for implementation of this Plan.

4.1 Effective Date Transactions. On the Effective Date, or as soon thereafter as is practicable, among other things, (a) all Equity Interests then outstanding shall be cancelled, with such cancellation to be effective on the Effective Date regardless of whether the certificates evidencing them are surrendered to the Reorganized Debtor for cancellation, (b) New Common Stock shall be issued by the Reorganized Debtor in accordance with the provisions of Section 4.3 below, (c) the Debtor's corporate name

1 shall be changed to "Legend Homes Corporation," (d) the directors and officers of the
 2 Reorganized Debtor shall be duly elected or appointed, as the case may be, (e) the
 3 Debtor's articles of incorporation and bylaws shall be amended as necessary to comply
 4 with the provisions of section 1123(a)(6) of the Bankruptcy Code and otherwise in a
 5 manner not inconsistent with the Plan, (f) the Reorganized Debtor shall establish the
 6 Reserve Account and shall fund the Cash distributions that are required to be made by it
 7 hereunder on the Effective Date, and (g) the Reorganized Debtor shall execute and
 8 deliver all documents, instruments and agreements that are necessary to implement this
 9 Plan.
 10

11 4.2 Plan Funding. This Plan shall be funded by a combination of the Debtor's
 12 Cash on hand as of the Effective Date and Cash that is collected or generated by the
 13 Reorganized Debtor and the Committee after the Effective Date.

14 4.3 Ownership and Corporate Governance of Reorganized Debtor. On the
 15 Effective Date, all Equity Interests then outstanding shall be cancelled. Simultaneously
 16 with such cancellation, New Common Stock shall be issued by the Reorganized Debtor
 17 to Jim L. Chapman, Diane F. Jarvis and James M. Goodrich, who will receive certificates
 18 evidencing, respectively, 55 percent, 35 percent and 10 percent of all such shares then
 19 issued. Upon the occurrence of the Effective Date, a new board of directors of the
 20 Reorganized Debtor shall be constituted. Until the Reorganized Debtor has fulfilled its
 21 obligations under the Plan to the holders of Class 19 Claims, the number of directors of
 22 the Reorganized Debtor shall be five. Three of the directors shall be elected by the
 23 holders of the New Common Stock, and two shall be appointed by majority vote of the
 24 Creditors that hold the five largest Allowed Class 19 Claims; provided, however, that one
 25 of the directors to be elected by the holders of the New Common Stock shall be a
 26 disinterested person who has no less than five years of actual experience in the home

1 building industry other than as an appraiser or lender.

2 4.4 Continuation of Business Operations. The Reorganized Debtor shall
3 continue the Debtor's real estate development and homebuilding business. Among other
4 things, the Reorganized Debtor shall continue its development of and the construction of
5 Homes in the Retained Projects.

6 4.5 Performance of Plan Obligations by Reorganized Debtor. The Reorganized
7 Debtor shall (a) in the exercise of its business judgment, review all Claims and, as
8 advisable, file objections, settle, compromise, withdraw or litigate objections to Claims,
9 (b) in the exercise of its business judgment, enforce, sue on, or settle and compromise
10 Causes of Action, (c) serve as the disbursing agent, without bond, for purposes of making
11 distributions to Creditors and others in accordance with this Plan, and (d) otherwise
12 perform its obligations under this Plan, in each case, as and when the same become due
13 to be paid or performed.

14 4.6 Continuation of Creditors' Committee. Notwithstanding the occurrence of
15 the Effective Date, the Committee shall continue to exist for the purposes of enforcing or
16 otherwise resolving the Insider Causes of Action. After the Effective Date, the
17 Reorganized Debtor will pay the Committee's reasonable costs and expenses (including
18 court costs, attorneys' fees and other professional expenses) of enforcing, resolving and
19 collecting on the Insider Causes of Action.
20

21 V.

22 PROVISIONS GOVERNING DISTRIBUTIONS AND THE 23 RESOLUTION OF DISPUTED AND CONTINGENT CLAIMS

24 5.1 Timing of Distributions. Except as otherwise provided for herein or
25 ordered by the Court, distributions under the Plan shall be made on the Effective Date
26 and on each Distribution Date, or, in each case, as soon thereafter as is practicable.

1 5.2 No Postpetition Interest. Unless otherwise specifically provided for in the
2 Plan or in the Confirmation Order, interest shall not accrue on Claims after the Petition
3 Date and no holder of a Claim shall be entitled to interest accruing after the Petition Date
4 on any Claim.

5 5.3 Form of Payment. Unless otherwise agreed by the Reorganized Debtor,
6 each Cash distribution pursuant to this Plan shall be made by means of a check. If the
7 payee requests that distributions be made by electronic funds transfer, the payee shall be
8 responsible for payment of the wire transfer fees.

9 5.4 Withholding and Reporting Requirements. In connection with the Plan, the
10 Reorganized Debtor shall comply with all applicable withholding and reporting
11 requirements imposed by any federal, state or local taxing authority. Any federal, state or
12 local withholding taxes or other amounts required to be withheld under applicable law
13 shall be deducted from distributions made under the Plan. All entities holding Claims
14 shall be required to provide any information necessary to effect the withholding or
15 reporting of such taxes. The Reorganized Debtor may condition any distribution to a
16 Creditor upon receipt of any such information.

17 5.5 No Obligation to Make Cash Payments of \$10 or Less on Account of
18 Allowed Claims. If a Cash payment otherwise provided for under the Plan on account of
19 an Allowed Claim would be Ten Dollars (\$10.00) or less (whether in the aggregate or on
20 any Distribution Date), the Reorganized Debtor shall not be obligated to make such
21 distribution on account of such Allowed Claim. In the event the Reorganized Debtor
22 elects not to make such a distribution, the holder of such Claim shall have no recourse
23 against the Reorganized Debtor or any other party, and such holder's right to receive
24 such distributions under the Plan shall be extinguished.
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1 5.6 Disputed Distributions. If any dispute arises as to the identity of a holder of
 2 an Allowed Claim who is to receive any distribution under the Plan, the Reorganized
 3 Debtor may, in lieu of making such distribution to such entity, make such distribution
 4 into the Reserve Fund until the disposition thereof shall be determined by court order or
 5 by written agreement among the interested parties to such dispute.

6 5.7 Undeliverable or Unclaimed Distributions. For a period of 180 days after
 7 any particular distribution is made pursuant to this Plan, checks and other property that
 8 are unclaimed (including checks that have been returned as undeliverable without a
 9 proper forwarding address and checks that were not mailed or delivered because of the
 10 absence of a proper address to which to mail or deliver the same) with respect to such
 11 distribution shall be distributed to the holders of Allowed Claims entitled thereto upon
 12 presentment to the Reorganized Debtor of satisfactory proof of entitlement. The
 13 Reorganized Debtor shall make a reasonable effort to ascertain the correct mailing
 14 address from information generally available to the public for each holder of an Allowed
 15 Claim whose check or other property cannot be mailed or delivered because of the
 16 absence of a proper address or whose check has been returned without a proper
 17 forwarding address, but it shall not be liable to any such holder for having failed to find a
 18 correct mailing address. On the first day after the expiration of such 180 day period: (i)
 19 holders of Allowed Claims previously entitled to such undeliverable or unclaimed
 20 property shall no longer be entitled thereto, and (ii) such Claims shall be deemed
 21 Disallowed for all purposes.

22 5.8 Time Bar to Cashing Distribution Checks. The Reorganized Debtor may
 23 (but shall not be obligated to) stop payment on any check issued by it in respect of
 24 Allowed Claims if such check is not negotiated within 60 days after the date of issuance
 25 thereof. Request for reissuance of any check shall be made to the Reorganized Debtor in
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1 accordance with this Plan, by the holder of the Allowed Claim to whom such check
 2 originally was issued, prior to the expiration of the 180 day period set forth in Section 5.7
 3 of the Plan. After such date, the holder of any such Claim who has failed to make a
 4 timely request for reissuance of such a voided check shall not be entitled to any other or
 5 further distribution under this Plan on account of such voided check or such Claim.
 6

7 **5.9 Reserve Fund.** On the Effective Date, or as soon thereafter as is
 8 practicable, the Reorganized Debtor shall establish the Reserve Fund. All Cash in the
 9 Reserve Fund will at all times be held and administered by the Reorganized Debtor in
 10 trust for the benefit of those entities entitled thereto under the terms of this Plan.

11 **a. Reserve for Disputed and Contingent Claims.** The Reorganized
 12 Debtor shall maintain, in accordance with the provisions of this Plan, a reserve for
 13 Disputed Claims and Contingent Claims. The amounts reserved with respect to a
 14 Disputed Claim shall be distributed as provided in the Plan after the Allowed Amount
 15 thereof is determined by Final Order or otherwise resolved. The amounts reserved with
 16 respect to a Contingent Claim shall be distributed as provided in the Plan after the
 17 contingency on which the Debtor's liability is based has occurred or not occurred or the
 18 Debtor's liability for such Claim is fixed by Final Order.

19 **b. Reserved Amounts and Estimations.** For purposes of effecting the
 20 reserve provisions of this Section 5.9 and, upon a request for estimation by the
 21 Reorganized Debtor or by the holder of a Disputed or Contingent Claim, the Court will
 22 determine what amount of Cash from the initial and subsequent distributions is sufficient
 23 to reserve on account of any Disputed or Contingent Claim, pursuant to section 502 of
 24 the Bankruptcy Code or other applicable law, in which event the amount so determined
 25 will be deemed the Allowed Amount of such Claim for purposes of this Plan, or, in lieu
 26 thereof, the Court will determine the maximum amount for such Claim, which amount

1 will be the maximum Allowed Amount of such Claim, if such Claim becomes an
 2 Allowed Claim in the case of a Disputed Claim or if such Claim becomes fixed in the
 3 case of a Contingent Claim. If a request to estimate a Disputed or Contingent Claim is
 4 not made and such Claim is liquidated in amount, the Reorganized Debtor will reserve
 5 Cash in the Reserve Fund until the Allowed Amount of such Claim is determined by
 6 Final Order or until the contingency on which the Debtor's liability is based has occurred
 7 or not occurred, as the case may be.
 8

9 c. Distributions From Reserve Fund. On the next succeeding
 10 Distribution Date after the date that the order or judgment of the Court allowing a
 11 Disputed Claim becomes a Final Order or the date on which a Contingent Claim becomes
 12 fixed by Final Order or otherwise, the Reorganized Debtor shall distribute to the holder
 13 of such Claim the amount of Cash that would have been distributed on a prior
 14 Distribution Date had such Claim been an Allowed Claim in such Class on such
 15 Distribution Date.

16 5.10 Transmittal of Distributions and Notices. Any property or notices,
 17 including distributions, that an entity is or becomes entitled to receive pursuant to the
 18 Plan may be delivered by regular mail, postage prepaid, in an envelope addressed to that
 19 entity at the address indicated on a properly filed proof of claim or, absent such a proof of
 20 claim, the address that is listed on the Debtor's schedules, as they may from time to time
 21 be amended in accordance with Bankruptcy Rule 1009; provided, however, that a holder
 22 of a Claim may designate a different address for notices and distributions by notifying the
 23 Reorganized Debtor of a change of address in writing. The new address shall be
 24 effective upon receipt by the Reorganized Debtor of such notice.

25 5.11 Prosecution of Objections to Claims. Except as otherwise provided in the
 26 Plan, after the Effective Date, only the Reorganized Debtor shall have the authority to file

1 objections, settle, compromise, withdraw or litigate objections to Claims other than
 2 Administrative Expense Claims. Except as otherwise specifically provided in the Plan or
 3 in the Confirmation Order, all objections to Claims other than Administrative Expense
 4 Claims shall be filed with the Court not later than 120 days after the Effective Date,
 5 unless such period is extended by Court order. With respect to Claims arising pursuant to
 6 section 502(h) of the Bankruptcy Code which are filed after the entry of the Confirmation
 7 Order, objections to such Claims shall be filed by the Reorganized Debtor not later than
 8 120 days after proof of such Claim is filed, unless such period is extended by Court
 9 order.
 10

11 **5.12 Limitations on Filing or Amending Claims After the Confirmation Date.**

12 Except as otherwise provided in the Plan, after the Confirmation Date, a proof of claim
 13 may be amended by the holder of such Claim solely to decrease, but not to increase, the
 14 amount of such Claim. Except as otherwise provided in the Plan and in the immediately
 15 preceding sentence, any proof of claim (whether filed to assert a new Claim or to amend
 16 a previously filed Claim) filed after the Confirmation Date shall be deemed Disallowed in
 17 full and expunged without any action by the Reorganized Debtor.

18 **5.13 No Distributions Pending Allowance.** Notwithstanding any other provision
 19 of the Plan, no distributions under the Plan shall be made with respect to all or any
 20 portion of a Disputed Claim unless and until all objections to such Disputed Claim have
 21 been settled or withdrawn or have been determined by Final Order. No holder of a
 22 Disputed Claim shall have any claim against the Reorganized Debtor or any property
 23 reserved in the Reserve Fund on account of such Disputed Claim unless and until such
 24 Disputed Claim becomes an Allowed Claim.
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VI.

**TREATMENT OF EXECUTORY
CONTRACTS AND UNEXPIRED LEASES**

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6.1 General Assumption of Executory Contracts and Unexpired Leases.

Except as otherwise provided in the Confirmation Order, effective as of the Effective Date, all executory contracts and unexpired leases of the Debtor not previously rejected by operation of law or by Court order and not the subject of a motion to reject filed prior to the Confirmation Date shall be deemed to be automatically assumed by the Reorganized Debtor as of the Effective Date. The Confirmation Order shall constitute a Court order approving such assumptions pursuant to the provisions of sections 365 and 1123(b)(2) of the Bankruptcy Code. Each contract or lease that is assumed pursuant to this Plan shall be deemed to include all modifications, amendments, supplements, restatements or other agreements made directly or indirectly by any agreement, instrument or other document that in any manner affects such contract or lease (but excluding any of the foregoing that is not in writing and that purportedly limits, restricts or impairs the Debtor's rights or benefits under the written documents that evidence such contract or lease).

6.2 Cure of Assumed Contracts and Leases. Any monetary amounts that are in default under a contract or lease that is assumed pursuant to this Plan shall be satisfied by Cure. In the event of a dispute regarding (i) the nature or the amount of any Cure, (ii) the ability of the Reorganized Debtor to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under any such contract or lease, or (iii) any other matter pertaining to the assumption of such a contract or lease, Cure shall occur immediately following the entry of a Final Order resolving the dispute. Cure costs shall be paid by the Reorganized Debtor.

VII.
CONDITIONS PRECEDENT
TO EFFECTIVE DATE

7.1 Conditions to Effective Date. The following conditions must occur and be satisfied for the Plan to become effective and the Effective Date to occur:

a. The Court shall have entered the Confirmation Order, in form and substance reasonably satisfactory to the Debtor, which shall, among other things, (i) find that the Plan complies with all applicable requirements of the Bankruptcy Code, (ii) decree that the Confirmation Order shall supersede any Court orders issued prior to the Confirmation Date that may be inconsistent therewith, (iii) decree that, except as otherwise provided in the Plan or in the Confirmation Order, all transfers of property contemplated under this Plan shall be free and clear of all Claims, security interests, liens, encumbrances and other interests of holders of Claims and Equity Interests, and (iv) provide that any and all executory contracts and unexpired leases that are assumed pursuant to the Plan shall remain in full force and effect for the benefit of the Reorganized Debtor, in each case, notwithstanding any provision in any such contract or lease or in applicable law (including those described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts or conditions such transfer or that enables or requires termination or modification of such contract or lease.

b. No stay of the Confirmation Order shall be in effect at the time the other conditions set forth in this Section 7.1 are satisfied or waived.

c. All documents, instruments and agreements governing the Wachovia Revolving Vertical Construction Loan Facility shall have been executed and delivered by the Reorganized Debtor and Wachovia.

d. All documents, instruments and agreements governing the KeyBank

1 Revolving Vertical Construction Loan Facility shall have been executed and delivered by
2 the Reorganized Debtor and KeyBank.

3 e. All other documents, instruments and agreements, each in form and
4 substance satisfactory to the Debtor, provided for under or necessary to implement this
5 Plan shall have been executed and delivered by the parties thereto.

6 7.2 Waiver of Conditions. The Debtor may waive any of the conditions to the
7 effectiveness of this Plan set forth in Section 7.1 of this Plan.

8 7.3 Notice of Effective Date. On the first business day after the Confirmation
9 Date on which all conditions to effectiveness of this Plan are satisfied or waived as
10 provided in this Section 7, or as soon thereafter as is reasonably practicable, the Debtor
11 shall file with the Court a notice that states the Effective Date. The Plan shall be deemed
12 to be effective as of 12:01 a.m. (prevailing Pacific Time) on the Effective Date set forth
13 in such notice filed with the Court.

14 VIII.

15 EFFECTS OF PLAN CONFIRMATION

16 8.1 Binding Effect. On the Effective Date, pursuant to section 1141(a) of the
17 Bankruptcy Code, the provisions of the Plan shall bind the Debtor, the Reorganized
18 Debtor, all Creditors and all Shareholders, including each of their respective heirs, legal
19 representatives, successors and assigns, whether or not they accept the Plan.

20 8.2 Vesting of Estate Property. Except as otherwise provided in the Plan or in
21 the Confirmation Order, on the Effective Date, pursuant to sections 1123(a)(5) and 1141
22 of the Bankruptcy Code, all property of the Estate shall vest in the Reorganized Debtor,
23 in each case, free and clear of all Claims, liens, charges, encumbrances and other interests
24 of Creditors and Shareholders. As of the Effective Date, the Reorganized Debtor may
25 use and dispose and otherwise deal with such property and may conduct its affairs, in
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1 each case, without supervision of the Court and free of any restrictions imposed by the
2 Bankruptcy Code or the Bankruptcy Rules other than those restrictions expressly
3 imposed by the Plan or the Confirmation Order.
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5 8.3 Discharge. Except as otherwise provided in the Plan or in the Confirmation
6 Order, on the Effective Date, pursuant to section 1141(d) of the Bankruptcy Code, the
7 Debtor and the Reorganized Debtor shall be discharged from all liability on any and all
8 Claims that arose before the Confirmation Date or that are of a kind specified in section
9 502(g), 502(h) or 502(j) of the Bankruptcy Code. This discharge shall be effective on the
10 Effective Date as to each such Claim, whether or not (i) proof of the Claim is filed or
11 deemed filed, (ii) the Claim is an Allowed Claim under this Plan, or (iii) the holder of the
12 Claim votes to accept or reject this Plan.

13 8.4 Exculpation. **Neither the Debtor nor the Committee, nor any of their**
14 **respective officers, directors, members, representatives or agents who served as**
15 **such during this Chapter 11 case, shall have or incur any liability to any Creditor or**
16 **Shareholder, or to any other entity, for any act or omission in connection with or**
17 **arising out of the Chapter 11 case or the pursuit of confirmation of the Plan, except**
18 **for liability based on willful misconduct or gross negligence, and, in all respects, the**
19 **Reorganized Debtor and its officers, directors and agents shall be entitled to rely**
20 **upon the advice of counsel with respect to their duties and responsibilities under this**
21 **Plan; provided, however, that the foregoing protection shall not apply to benefit**
22 **attorneys or other professional persons employed by the Debtor or the Committee.**

23 8.5 Effect on Insurance Policies. Except as otherwise specifically provided in
24 this Section 8.5, notwithstanding anything to the contrary contained elsewhere in the
25 Plan, including any provision herein that purports to be preemptory or supervening, the
26 respective rights, obligations and defenses of the insureds and insurer under each

1 insurance policy issued to the Debtor and under the agreements related to each such
 2 policy shall be unaffected by the Plan. Any and all Claims of the insurers that issued
 3 such policies before the Petition Date, whether such Claims arise under the policy
 4 documents or otherwise, shall be discharged under Section 8.3 hereof and shall be
 5 classified and treated as Class 19 Claims under this Plan. Furthermore, nothing in the
 6 Plan, including any provision herein that purports to be preemptory or supervening, shall
 7 alter or impair the rights, obligations or defenses of any insurer or of any entity to which
 8 the Debtor assigned any of its rights under an insurance policy before the Effective Date.
 9 For the avoidance of doubt, nothing in this Plan shall affect any right of recoupment of an
 10 insurer under any insurance policy issued to the Debtor or under any agreements related
 11 to any such policy.

12 IX.

13 ADMINISTRATIVE PROVISIONS

14 9.1 Retention of Jurisdiction.

15 a. Jurisdiction of Bankruptcy Court. Under sections 105(a) and 1142
 16 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and
 17 occurrence of the Effective Date, the Court shall retain exclusive jurisdiction over all
 18 matters arising out of or related to the Chapter 11 case concerning the Debtor and the
 19 Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

20 (i) allow, disallow, determine, liquidate, classify, estimate, or
 21 establish the priority or secured or unsecured status of any Claim, including
 22 the resolution of any request for payment of any Administrative Expense
 23 Claim and the resolution of any objections to the allowance or priority of a
 24 Claim;

25 (ii) hear and determine all applications for compensation and
 26

1 reimbursement of expenses of professionals under the Plan or under
2 sections 330, 331, 503(b), 1103 and 1129(a)(4) of the Bankruptcy Code;

3 (iii) hear and determine all matters with respect to the assumption
4 or rejection of any executory contract or unexpired lease to which the
5 Debtor is or was a party or with respect to which the Debtor may be liable,
6 including, if necessary, the liquidation or allowance of any Claims arising
7 therefrom;

8 (iv) effectuate performance of and payments under the provisions
9 of the Plan;

10 (v) determine any and all pending adversary proceedings,
11 motions, applications, and contested or litigated matters and adversary
12 proceedings or contested matters, whether pending on or brought after the
13 Effective Date consistent with the provisions of the Plan;

14 (vi) enter such orders as may be necessary or appropriate to
15 execute, implement, or consummate the provisions of the Plan and all
16 contracts, instruments, releases, and other agreements or documents created
17 in connection with the Plan;

18 (vii) hear and determine disputes arising in connection with the
19 interpretation, implementation, consummation, or enforcement of the Plan,
20 including disputes arising under agreements, documents, or instruments
21 executed in connection with the Plan;

22 (viii) consider any modifications of the Plan, cure any defect or
23 omission, or reconcile any inconsistency in any order of the Court,
24 including, without limitation, the Confirmation Order;

25 (ix) issue injunctions, enter and implement other orders, or take
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1 such other actions as may be necessary or appropriate to restrain
2 interference by any entity with implementation, consummation, or
3 enforcement of the Plan or the Confirmation Order;

4 (x) enter and implement such orders as may be necessary or
5 appropriate if the Confirmation Order is for any reason reversed, stayed,
6 revoked, modified, or vacated;

7 (xi) hear and determine any matters arising in connection with or
8 relating to the Plan, the disclosure statement relating to the Plan, the
9 Confirmation Order, or any contract, instrument, release, or other
10 agreement or document created in connection with the Plan;

11 (xii) enforce all orders, judgments, injunctions, releases,
12 exculpations, indemnifications, and rulings entered in connection with this
13 Chapter 11 case;

14 (xiii) hear and determine matters concerning state, local, and
15 federal taxes in accordance with sections 346, 505 and 1146 of the
16 Bankruptcy Code;

17 (xiv) hear and determine all matters related to the property of the
18 Estate from and after the Confirmation Date;

19 (xv) hear and determine all disputes involving the existence,
20 nature or scope of the Debtor's and Reorganized Debtor's discharge under
21 or the injunction created by this Plan;

22 (xvi) hear and determine such other matters as may be provided in
23 the Confirmation Order or as may be authorized under, or not inconsistent
24 with, provisions of the Bankruptcy Code; and

25 (xvii) enter a final decree closing the Chapter 11 case concerning
26

1 the Debtor.

2 b. Other Courts of Competent Jurisdiction. If the Court abstains from
3 exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over
4 any matter arising out of this Plan, such abstention, refusal or failure of exercise shall
5 have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by
6 any other court having competent jurisdiction with respect to such matter.
7

8 9.2 Election Pursuant to Section 1129(b) of the Bankruptcy Code. The Debtor
9 hereby requests confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy
10 Code if the requirements of all provisions of section 1129(a) of the Bankruptcy Code,
11 except paragraph (a)(8) thereof, are met with regard to the Plan. In determining whether
12 the requirements of section 1129(a)(8) of the Bankruptcy Code have been met, any Class
13 or subclass of a Class that does not contain as an element thereof an Allowed Claim or a
14 Claim temporarily allowed under Bankruptcy Rule 3018 as of the date fixed by the Court
15 for filing acceptances or rejections of this Plan shall be deemed deleted from this Plan for
16 purposes of voting to accept or reject this Plan and for purposes of determining
17 acceptance or rejection of this Plan by such Class or subclass.

18 9.3 Consummation of the Plan. The Debtor reserves the right to request that
19 the Confirmation Order include (i) a finding by the Court that Bankruptcy Rule 3020(e)
20 shall not apply to the Confirmation Order, and (ii) the Court's authorization for the
21 Debtor to consummate the Plan immediately after entry of the Confirmation Order.

22 9.4 Modification of the Plan. The Debtor reserves the right to alter, amend or
23 modify the Plan prior to the entry of the Confirmation Order. After the entry of the
24 Confirmation Order (whether or not the Plan has been substantially consummated), upon
25 order of the Court after notice and a hearing, the Debtor or the Reorganized Debtor, as
26 the case may be, may alter, amend or modify this Plan, in accordance with the provisions

1 of section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or
2 reconcile any inconsistency in the Plan or in the Confirmation Order in such manner as
3 may be necessary to carry out the purposes and intent of the Plan.
4

5 9.5 Exemption from Transfer Taxes. Pursuant to section 1146(c) of the
6 Bankruptcy Code, the delivery of any deed or other instrument of transfer under, in
7 furtherance of, or in connection with this Plan, whether occurring prior or subsequent to
8 the Confirmation Date, including any deeds, bills of sale or assignments executed in
9 connection with any disposition of assets contemplated by this Plan, shall not be subject
10 to any stamp tax, real estate transfer tax, excise tax, sales tax, use tax or other similar tax.

11 9.6 Waivers. Except as otherwise provided in the Plan or in the Confirmation
12 Order, any term of the Plan may be waived by the party benefitted by the term to be
13 waived.

14 9.7 Setoffs, Recoupments and Defenses. Nothing contained in the Plan shall
15 constitute a waiver or release by the Debtor or the Reorganized Debtor of any rights of
16 setoff or recoupment, or of any defense, either of them may have with respect to any
17 Claim (including, without limitation, rights under section 502(d) of the Bankruptcy
18 Code). Except as otherwise provided in the Plan, in the Confirmation Order or in
19 agreements previously approved by a Final Order, the Reorganized Debtor may, but will
20 not be required to, set off against any Claim or any distributions with respect to such
21 Claim any and all of the claims, rights and Causes of Action of any nature that the Debtor
22 or the Reorganized Debtor, as applicable, may hold against the holder of such Claim;
23 provided, however, that neither the failure to effect such a setoff, the allowance of any
24 Claim, the payment of any distribution hereunder or any other action or omission of the
25 Debtor or the Reorganized Debtor, as applicable, nor any provision of the Plan, shall
26 constitute a waiver or release by the Debtor or the Reorganized Debtor, as applicable, of

1 any such claims, rights and Causes of Action that the Debtor or the Reorganized Debtor,
 2 as applicable, may possess against such holder.

3 9.8 Retention and Enforcement of Causes of Action. Except as otherwise
 4 provided in the Plan or in the Confirmation Order, or in any instrument, release or other
 5 agreement entered into in connection with the Plan, in accordance with section
 6 1123(b)(3) of the Bankruptcy Code, any rights or Causes of Action under any theory of
 7 law (including, without limitation, under the Bankruptcy Code) extant on the Effective
 8 Date shall remain fully enforceable. On the Effective Date, Avoidance Actions and all
 9 other Causes of Action shall become the property of the Reorganized Debtor. These
 10 Causes of Action include, but are not limited to, those described in the Disclosure
 11 Statement, and the failure of the Debtor to list a Cause of Action in the Disclosure
 12 Statement shall not constitute a waiver or release by the Debtor of such Cause of Action.
 13 From and after the Effective Date, the Reorganized Debtor shall have the exclusive right
 14 and full authority to enforce, sue on, or settle and compromise any and all Causes of
 15 Action other than the Insider Causes of Action. Notwithstanding the occurrence of the
 16 Effective Date, the Committee shall continue to have the exclusive right and full
 17 authority to enforce, sue on, or settle and compromise any and all of the Insider Causes of
 18 Action, as authorized by the Court order entered on September 29, 2009, as Document
 19 #1639. The Debtor expressly reserves all Avoidance Actions and other Causes of Action
 20 for later adjudication or other resolution by the Reorganized Debtor or the Committee, as
 21 the case may be, and, therefore, no preclusion doctrine (including, without limitation, the
 22 doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel
 23 or laches) shall apply to any of the Causes of Action upon or after the confirmation or
 24 consummation of the Plan.

25 9.9 Cancellation of Documents Evidencing Unsecured Claims. As of the
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1 Effective Date, any note, agreement, instrument or other document evidencing an
2 unsecured Claim in any impaired Class shall be deemed cancelled, null and void, except
3 for the right, if any, to receive distributions under this Plan; provided, however, that
4 nothing herein shall impair or affect the liability of any entity other than the Debtor on, or
5 the property of any entity other than the Debtor for, such Claim.
6

7 9.10 Payment of United States Trustee Fees. The Reorganized Debtor shall pay
8 when due all fees incurred pursuant to 28 USC § 1930(a)(6) and shall provide to the
9 United States trustee, on or before the 30th day following the close of each calendar
10 quarter, a financial report of all disbursements made by or on behalf of the Reorganized
11 Debtor (whether or not pursuant to this Plan) during the preceding calendar quarter, or
12 portion thereof, that this Chapter 11 case remains open.

13 9.11 Reorganized Debtor's Professional Expenses. After the Effective Date, the
14 Reorganized Debtor will pay the fees and expenses of its attorneys, accountants, financial
15 consultants and other professional persons, in each case in the ordinary course of
16 business and without the necessity for any Court approval.

17 9.12 No Retiree Benefits. The Debtor is not obligated to provide any retiree
18 benefits within the meaning of section 1114(a) of the Bankruptcy Code. Thus, section
19 1129(a)(13) of the Bankruptcy Code does not apply to this Plan.

20 9.13 Closing of the Chapter 11 Case. As soon as practicable after the Effective
21 Date, when the Reorganized Debtor deems appropriate, it shall seek authority from the
22 Court to close the Chapter 11 case in accordance with the Bankruptcy Code and the
23 Bankruptcy Rules; provided, however, that entry of a final decree closing the Chapter 11
24 case shall, whether or not specified therein, be without prejudice to the right of the
25 Reorganized Debtor or other party in interest to reopen the Chapter 11 case for any
26 matter over which the Court has retained jurisdiction under this Plan.

1 9.14 Compromise of Controversies. Pursuant to Bankruptcy Rule 9019, and in
2 consideration for the classification, distributions and other benefits provided under the
3 Plan, the provisions of the Plan shall constitute a good faith compromise and settlement
4 of all Claims or controversies resolved pursuant to the Plan. The entry of the
5 Confirmation Order shall constitute the Court's approval of each of the compromises and
6 settlements provided for in the Plan, and the Court's findings shall constitute its
7 determination that such compromises and settlements are in the best interest of the
8 Debtor and the Estate. The Debtor expressly reserves the right (with Court approval,
9 following appropriate notice and opportunity for a hearing) to compromise and settle
10 other Claims and Causes of Action up to and including the Effective Date.

11 9.15 Withdrawal or Revocation of the Plan. The Debtor reserves the right to
12 revoke or withdraw the Plan prior to the Confirmation Date. If the Plan is revoked or
13 withdrawn, or if the Confirmation Date does not occur, the Plan shall have no force and
14 effect and in such event nothing contained herein shall be deemed to constitute a waiver
15 or release of any claims by or against the Estate or any other entity, or to prejudice in any
16 other manner the rights of the Debtor, the Estate, the Committee or any other entity in
17 further proceedings involving the Debtor and specifically shall not modify or affect the
18 rights of any party under any prior orders of the Court.

19 9.16 Failure of Effective Date. In the event the Effective Date does not occur by
20 August 1, 2010 (or such later date as shall have been approved by the Court upon
21 application of the Debtor), nothing in this Plan shall be binding on the Debtor, the Estate,
22 the Committee or any other entity, or otherwise be of any force or effect.

23 9.17 Default. Except as otherwise provided in the Plan or in the Confirmation
24 Order, in the event that the Reorganized Debtor shall default in the performance of any of
25 its obligations under the Plan and shall not have cured such a default within any
26

1 applicable cure period (or, if no cure period is specified in the Plan or in any instrument
2 issued to or retained by a Creditor under the Plan, then within 30 days after receipt of
3 written notice of default from the Creditor to whom the performance is due), then the
4 entity to whom the performance is due may pursue such remedies as are available at law
5 or in equity. An event of default occurring with respect to one Claim shall not be an
6 event of default with respect to any other Claim.
7

8 9.18 Governing Law. Except to the extent that federal law (including the
9 Bankruptcy Code or Bankruptcy Rules) is applicable, the rights and obligations arising
10 under the Plan shall be governed by and construed and enforced in accordance with the
11 laws of the State of Oregon without regard to choice of law rules.

12 9.19 Computation of Time Periods. In computing any period of time prescribed
13 or allowed by this Plan, unless otherwise expressly provided herein, the provisions of
14 Bankruptcy Rule 9006(a) shall apply.

15 9.20 Reservation of Rights. If the Plan is not confirmed by a Final Order, or if
16 the Plan is confirmed and the Effective Date does not occur, the rights of all parties in
17 interest in the Chapter 11 case are and will be reserved in full. Any concessions or
18 settlement reflected herein, if any, are made for purposes of the Plan only, and if the Plan
19 does not become effective, no party in interest in the Chapter 11 case shall be bound or
20 deemed prejudiced by any such concession or settlement.

21 9.21 Severability. In the event that the Court, prior to entry of the Confirmation
22 Order, determines that any provision of this Plan is invalid, void or unenforceable, the
23 Court shall, with the consent of the Debtor, have the power to alter and interpret such
24 provision to make it valid or enforceable to the maximum extent practicable, consistent
25 with the original purpose of the provision held to be invalid, void or unenforceable, and
26 such provision shall then be applicable as altered or interpreted. Notwithstanding any

1 such holding, alteration or interpretation, the remainder of the provisions of this Plan
 2 shall remain in full force and effect and shall in no way be affected, impaired or
 3 invalidated by such holding, alteration or interpretation.

4 9.22 Plan Controls. To the extent the Plan is inconsistent with the Disclosure
 5 Statement, the provisions of the Plan shall control.

6 9.23 Successors and Assigns. The Plan shall be binding upon and inure to the
 7 benefit of the Debtor, the Reorganized Debtor, Creditors, Shareholders and all other
 8 parties in interest affected thereby and their respective successors, heirs, legal
 9 representatives and assigns.

10 9.24 Exhibits. All Exhibits to this Plan are incorporated into and are a part of
 11 this Plan as if set forth in full herein.

12 9.25 Notices to Reorganized Debtor. Any notice to the Reorganized Debtor by
 13 parties in interest under or in connection with this Plan shall be in writing and served
 14 either by (i) certified mail, return receipt requested, postage prepaid, (ii) hand delivery,
 15 (iii) confirmed facsimile transmission, or (iv) reputable overnight delivery service, all
 16 charges prepaid, and shall be deemed to have been given when received by the following
 17 parties:

18 If to the Reorganized Debtor: Legend Homes Corporation
 19 12755 SW 69th Avenue, Suite 100
 20 Portland, OR 97223
 21 Facsimile: (503) 598-8900
 Attention: Diane F. Jarvis, CFO

22 With copy to: Greene & Markley, P.C.
 23 1515 SW Fifth Avenue, Suite 600
 24 Portland, OR 97201
 Facsimile: (503) 224-8424
 Attention: Mr. David A. Foraker

1 Dated: May 12, 2010

Matrix Development Corporation,
an Oregon corporation

4 By /s/ Jim L. Chapman
Jim L. Chapman, its President

5 Presented by:

6 /s/ David A. Foraker
7 David A. Foraker, OSB #812280
Greene & Markley, P.C.
8 1515 SW Fifth Avenue, Suite 600
Portland, OR 97201
9 Telephone: (503) 295-2668
Facsimile: (503) 224-8434
10 E-mail: david.foraker@greenemarkley.com
Attorneys for Debtor
11

Appendix A

DEFINITIONS

Abandoned Property means real property of the Debtor that is abandoned before the Effective Date by Court order pursuant to section 554(a) of the Bankruptcy Code. The Abandoned Property is the real property described in the Court orders entered on May 21, 2009, June 5, 2009, and May 11, 2010, as Document #1218, Document #1299, and Document #2078, respectively, and generally known as Arlington/Ames in Tigard Oregon; Copper Creek a/k/a Madrid Property in Wilsonville, Oregon; Edgewater on the Tualatin Phases 3 and 4 in King City, Oregon; North Albany Village in Albany, Oregon; The Q Condominiums Phase 2 in Hillsboro, Oregon; Taralon Phases 1 and 2 in Happy Valley, Oregon; Victoria Gardens in Tualatin, Oregon (other than lots 1, 2, 9 and 59); Villebois Phase 2 in Wilsonville, Oregon; and Witham Oaks in Corvallis, Oregon.

Adjusted EBITDA means, for any period, the aggregate net income (or loss) of the Reorganized Debtor and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP consistently applied, (a) plus the sum of the following amounts to the extent included in the determination of such net income (or loss): (i) interest expense, (ii) income tax expense, (iii) depreciation and amortization expenses, (iv) non-cash losses, and (v) compensation to executive officers (i.e., President, Chief Financial Officer, and Vice-President) that exceeds, in the aggregate, \$433,600 during the 12-month period ending the first anniversary of the Effective Date, \$476,900 during the 12-month period ending the second anniversary of the Effective Date, \$524,656 during the 12-month period ending the third anniversary of the Effective Date, and \$577,121 during the 12-month period ending the fourth anniversary of the Effective Date, and (b) minus the sum of the following amounts to the extent included in the determination of such net income (loss): (i) Insider Recoveries, (ii) non-cash income, and (iii) income tax benefit.

1 Administrative Expense Claim means a Claim that is entitled to priority under
 2 sections 503(b) and 507(a)(2) of the Bankruptcy Code, including (a) any actual and
 3 necessary costs and expenses of administering or preserving the Estate, (b) any actual and
 4 necessary costs and expenses of operating the Debtor's business after the Petition Date,
 5 (c) any indebtedness or obligation incurred by the Debtor in the ordinary course of
 6 business in connection with the conduct of its business after the Petition Date, (d) any
 7 allowances of compensation or reimbursement of expenses under sections 330, 331 or
 8 503 of the Bankruptcy Code to the extent of the Allowed Amount thereof, whether fixed
 9 before or after the Effective Date, and (e) any fees or charges assessed against the Estate
 10 under 28 USC § 1930.

11 Allowed Amount means with reference to any Claim (including any
 12 Administrative Expense Claim): (a) if the holder thereof has not filed a proof of claim
 13 with the Court within the applicable period of limitation fixed pursuant to Bankruptcy
 14 Rule 3003(c)(3), the amount of the Claim that is listed in the Debtor's schedules, as they
 15 may from time to time be amended in accordance with Bankruptcy Rule 1009, as not
 16 disputed, contingent or unliquidated; or (b) if the holder thereof has filed a proof of claim
 17 with the Court within the applicable period of limitation fixed pursuant to Bankruptcy
 18 Rule 3003(c)(3): (i) the amount stated in such proof of claim, if no objection to such
 19 proof of claim has been interposed within any applicable period of limitation fixed by
 20 this Plan or a Final Order, or (ii) such amount as shall be fixed by Final Order or by
 21 agreement of the holder thereof and the Debtor (or the Reorganized Debtor, as the case
 22 may be), if an objection has been timely interposed; or (c) if with respect to an
 23 Administrative Expense Claim that requires Court approval as a precondition to payment,
 24
 25
 26

1 such amount as shall be fixed by Final Order; or (d) if a Claim that is expressly allowed
2 in this Plan, the amount set forth in the Plan.

3 Allowed Claim means a Claim for which an Allowed Amount has been
4 determined.

5 Allowed Secured Claim means an Allowed Claim (other than an Administrative
6 Expense Claim) that is secured by a lien, security interest or other charge against or
7 interest in property of the Estate or that is subject to setoff under section 553 of the
8 Bankruptcy Code, to the extent of the value (as set forth in the Plan, or if no value is
9 specified, as determined by the Court in accordance with section 506(a)(1) of the
10 Bankruptcy Code or as agreed by the Creditor and the Debtor) of the interest of the
11 holder of such Claim in the Debtor's interest in such property or to the extent of the
12 amount subject to such setoff, as the case may be.

13 Allowed Unsecured Claim means an Allowed Claim that is not an Administrative
14 Expense Claim or an Allowed Secured Claim.

15 Amended Loan Documents, as applied to Claims in Class 2, 3, 6, 7 or 11, means,
16 collectively, the replacement promissory note, the amended and restated loan agreement,
17 the amendment to trust deed, and all other documents and agreements, if any, that will
18 govern the respective rights and obligations of the Lender and the Reorganized Debtor
19 with respect to such Claims. Unless otherwise agreed by the Debtor or the Reorganized
20 Debtor, as the case may be, the Amended Loan Documents shall be in the form prepared
21 by the Debtor. The form and content of the Amended Loan Documents shall be
22 consistent with the terms of the Plan and otherwise reasonably acceptable to the Debtor
23 and the applicable Lender; provided, however that if the Lender and the Debtor are
24 unable to reach agreement on the form and content of the Amended Loan Documents,
25 any such dispute shall first be referred to The Honorable Elizabeth L. Perris for mediation
26 and, if such mediation is unsuccessful, the dispute shall be submitted to and determined

1 by the Court.

2 Avoidance Actions means all avoidance or recovery actions of the Debtor or the
3 Estate under sections 542, 544, 545, 547, 548, 549, 550, 551 and/or 553 of the
4 Bankruptcy Code, or under similar or related state or federal statutes and common law,
5 including, without limitation, fraudulent transfer or conveyance laws, whether or not such
6 actions are pending on the Effective Date and whether asserted or unasserted as of the
7 Effective Date.

8 Ballot means a ballot that is used by a holder of a Claim to accept or reject this
9 Plan.

10 Bankruptcy Code means title 11 of the United States Code, and any amendments
11 thereto applicable to this Chapter 11 case, as in effect on the Confirmation Date.

12 Bankruptcy Rules means the Federal Rules of Bankruptcy Procedure.

13 Blocked Account, as applied to a Claim in Class 2, 3, 6, 7 or 11, means a deposit
14 account that is maintained and used specially and exclusively for the Lender's cash
15 collateral in accordance with the provisions of the Plan or as provided in the Amended
16 Loan Documents. Unless the Lender maintains the account, the Blocked Account will be
17 subject to a deposit account control agreement among the Reorganized Debtor, the
18 Lender and the depository bank.

19 Business Day means any day that is not a Saturday, a Sunday or a day on which
20 banks are required or permitted to be closed in the State of Oregon.

21 Cash means legal tender of the United States or its equivalent, including
22 negotiable instruments payable on demand.

23 Causes of Action means any and all actions, causes of action, choses in action,
24 suits, accounts, reckonings, controversies, third-party claims, counterclaims, crossclaims,
25 Avoidance Actions, rights to recovery, rights to legal remedies, rights to equitable
26 remedies, rights to payment, and demands whatsoever, whether known, unknown,

1 reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed,
 2 contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether
 3 asserted or assertable directly or indirectly or derivatively, at law or in equity or
 4 otherwise, which, in each case, arose or accrued in favor of the Debtor (as debtor in
 5 possession or otherwise) on or before the Effective Date.

6 Claim means a claim or right to payment against the Debtor or the Estate or
 7 against property of the Estate.

8 Class means a category of Claims or Equity Interests which are substantially
 9 similar to each other, as classified pursuant to the Plan.

10 Collateral means the property, or interest in property, of the Debtor or the Estate
 11 that secures a Claim.

12 Committee means the Official Committee of Unsecured Creditors of the Debtor,
 13 appointed by the United States trustee pursuant to section 1102 of the Bankruptcy Code,
 14 as such Committee may be constituted from time to time.

15 Confirmation Date means the date of entry of the Confirmation Order.

16 Confirmation Order means the Court order confirming the Plan pursuant to section
 17 1129 of the Bankruptcy Code.

18 Contingent Claim means a Claim as to which the Debtor's liability on any date of
 19 determination is subject to the happening of one or more future events.

20 Court means the United States District Court for the District of Oregon having
 21 jurisdiction over this Chapter 11 case and, to the extent of any reference made pursuant to
 22 28 USC § 157, the United States Bankruptcy Court for the District of Oregon, and any
 23 court having competent jurisdiction to hear appeals therefrom.

24 Creditor means a holder of a Claim.

25 Cure means the distribution of Cash, or such other property as may be agreed upon
 26 by the parties, with respect to the assumption of an executory contract or unexpired lease

1 under section 365(b) of the Bankruptcy Code, in an amount equal to all accrued, due and
 2 unpaid monetary obligations, without interest, as of the Effective Date, or such other
 3 amount as may be agreed upon by the parties, under such executory contract or unexpired
 4 lease, to the extent such obligations are enforceable under the Bankruptcy Code and
 5 applicable nonbankruptcy law.

6 Debtor means Matrix Development Corporation, an Oregon corporation. For any
 7 period of time after the merger with Legend Homes Corporation, an Oregon corporation,
 8 on June 9, 2008, references herein to the Debtor mean the Debtor after giving effect to
 9 such merger. For any period of time after the Petition Date and before the Effective Date,
 10 references herein to the Debtor mean the Debtor as debtor in possession under section
 11 1107 of the Bankruptcy Code.

12 Disallowed Amount means, with respect to a particular Disputed Claim, that
 13 amount which is equal to the difference, if any, between the Face Amount of such Claim
 14 and the Allowed Amount thereof.

15 Disclosure Statement means the disclosure statement for this Plan which is
 16 approved by the Court.

17 Disputed Amount means, with respect to a particular Disputed Claim, that amount
 18 which is equal to the difference, if any, between the Face Amount of such Claim and the
 19 amount of the Claim which is conceded by the Debtor or the Reorganized Debtor.

20 Disputed Claim means any Claim for which an Allowed Amount has not yet been
 21 determined and with respect to which an objection has been interposed.

22 Distribution Date means any date on which Cash distributions are to be made
 23 pursuant to the Plan to holders of Class 19 Claims.

24 Edgewater Started Home Waterfall means that the gross proceeds from the sale of
 25 a Home in Edgewater Phase 1, 2, or East that is completed or under construction on the
 26 Effective Date shall be disbursed in the following manner at the closing: first, to pay all

1 direct transaction costs (including brokerage commissions, escrow fees, title insurance
 2 premiums and closing costs), not to exceed in the aggregate seven percent (7%) of the
 3 gross sale proceeds and subject to the further limitation that any brokerage commission
 4 payable to Legend Real Estate Services Corporation or other affiliate controlled by the
 5 Reorganized Debtor shall not exceed three percent (3%) of the gross sale proceeds, and
 6 all property taxes and similar governmental impositions prorated for periods prior to the
 7 closing; second, to KeyBank, the sum of all costs and expenses incurred by the Debtor in
 8 connection with the construction of such Home which were paid from funds in the
 9 KeyBank Collateral DIP Accounts; third, to KeyBank, the sum of all advances, if any,
 10 outstanding under the KeyBank Revolving Vertical Construction Loan Facility with
 11 respect to such Home; fourth, to KeyBank, unless otherwise agreed between the
 12 Reorganized Debtor and KeyBank, the amount of \$75,000; and fifth, the balance to the
 13 Reorganized Debtor.
 14

15 Effective Date means the first day of the month following the month in which the
 16 Confirmation Date falls on which (i) all conditions precedent specified in Section 7.1 of
 17 the Plan have been satisfied or waived, and (ii) no stay of the Confirmation Order is in
 18 effect; provided, however, that the Effective Date shall occur within 30 days after the
 19 Confirmation Date unless a later date is established by the Court on motion of the Debtor
 20 or the Committee.

21 Equity Interest means any capital stock or other ownership interest in the Debtor
 22 that is outstanding as of the Effective Date, however denominated and whether or not
 23 transferable, and any option, warrant or right to purchase, sell or subscribe for an
 24 ownership interest in or other equity security of the Debtor.

25 Estate means the estate of the Debtor created by section 541 of the Bankruptcy
 26 Code, including all Causes of Action.

Face Amount means with reference to any Claim: (a) if the holder thereof has not

1 filed a proof of claim with the Court within the applicable period of limitation fixed
 2 pursuant to Bankruptcy Rule 3003(c)(3), the amount of the Claim that is listed in the
 3 Debtor's schedules, as they may from time to time be amended in accordance with
 4 Bankruptcy Rule 1009, as not disputed, contingent or unliquidated; or (b) if the holder
 5 thereof has filed a proof of claim with the Court within the applicable period of limitation
 6 fixed pursuant to Bankruptcy Rule 3003(c)(3), the amount stated in such proof of claim;
 7 or (c) if an Administrative Expense Claim for which an application or request for
 8 payment is filed within any time as may be fixed by the Court, the amount to which the
 9 applicant would be entitled if the application or request were to be granted in full.

10 Fair Value, as applied to any Retained Project, means the value (as set forth in the
 11 Plan, or if no value is specified, as determined by the Court in accordance with section
 12 506(a)(1) of the Bankruptcy Code or as agreed by the Lender and the Debtor) of the
 13 Lender's interests in such Retained Project and in the cash collateral thereof.

14 Final Order means a judgment, order or other decree issued and entered by the
 15 Court as to which (i) any appeal that has been taken has been finally determined or
 16 dismissed and the time to take any further appeal, or to seek certiorari or further hearing,
 17 has expired or been waived in writing, or (ii) the time to take an appeal has expired and
 18 no appeal has been timely filed.

19 GAAP means generally accepted accounting principles in the United States of
 20 America, as in effect from time to time and as set forth in the opinions and
 21 pronouncements of the Accounting Principles Board and the American Institute of
 22 Certified Public Accountants and in the statements and pronouncements of the Financial
 23 Accounting Standards Board, which are applicable to the circumstances as of the date of
 24 determination.

25 Home means a residential dwelling unit (whether a house, townhome or
 26 condominium unit) that is constructed by the Debtor or by the Reorganized Debtor.

1 Insider Causes of Action means all Causes of Action against Kara Oringdulph
 2 Hale, George Hale and Oringdulph Hale, LLC, or any of them, and includes all rights to
 3 object to and defend against Claim 183 filed by Kara Oringdulph Hale in this Chapter 11
 4 case.

5 Insider Recoveries means all Cash proceeds collected on account of the Insider
 6 Causes of Action, in each case, after deduction of all costs and expenses (including court
 7 costs, attorneys' fees and other professional expenses) incurred by the Committee in
 8 connection therewith.

9 KeyBank Revolving Vertical Construction Loan Facility means the revolving
 10 credit facility to be made available to the Reorganized Debtor by KeyBank, N.A. on the
 11 Effective Date for the purposes of, among other things, enabling the Reorganized Debtor
 12 to fund obligations incurred by it in the ordinary course of business in connection with
 13 the construction of new Homes and other improvements on lots in Edgewater Phases 1, 2
 14 and East. The amount of the credit facility shall be no less than \$3,900,000 and the other
 15 terms and conditions of the credit facility shall be acceptable to the Debtor and KeyBank,
 16 N.A.

17 Lender means a holder of an Allowed Claim in Class 2, 3, 6, 7 or 11, including
 18 any successor to or assignee of the original holder.

19 Lender Interest Rate means the rate of interest that will accrue on the Allowed
 20 Claims in Classes 2, 3, 6 and 7. Unless a different rate is specified in the Amended Loan
 21 Documents, the Lender Interest Rate shall be a fixed rate of five and one-half percent
 22 (5½%) per annum.

23 Lot Release Amount, as applied to any Retained Project, means the amount that
 24 the Reorganized Debtor is required to pay the Lender as a condition precedent to the
 25 release of the trust deed lien that secures the Lender's Claim on a lot in the Retained
 26 Project and on all improvements on such lot.

1 New Common Stock means the common stock of the Reorganized Debtor which
 2 is to be issued on the Effective Date pursuant to the Plan. The New Common Stock shall
 3 be subject to restrictions on transfer to the extent necessary to avoid any adverse federal
 4 income tax consequences resulting from an ownership change (as defined in 26 USC
 5 §382) in the Reorganized Debtor within two years after the Effective Date.

6 Permitted Liens means (i) liens that secure claims of governmental units for ad
 7 valorem property taxes, assessments, levies and similar impositions which, in each case,
 8 is not delinquent or, if delinquent, is being contested in good faith by appropriate action
 9 or proceedings, (ii) liens that secure Allowed Class 4 Claims, (iii) statutory liens that
 10 arise in the ordinary course of business and not in connection with the borrowing of
 11 money, including workers', mechanics', suppliers', carriers', or similar liens that secure,
 12 in each case, a claim that is not overdue or, if overdue, is being contested in good faith by
 13 appropriate action or proceedings, (iv) any attachment or judgment lien, unless the
 14 judgment it secures is not, within 60 days after the entry thereof, discharged or execution
 15 thereof stayed pending appeal, or is not discharged within 60 days after the expiration of
 16 any such stay, (v) zoning restrictions, easements, licenses, or other restrictions on the use
 17 of real property or other minor irregularities in title thereto, so long as the same do not
 18 materially impair the use, value or marketability of such real property, and (vi) any other
 19 lien that is permitted to exist by the applicable Lender in writing.

20 Petition Date means June 10, 2008.

21 Plan means this Chapter 11 plan and all exhibits and schedules hereto, which are
 22 incorporated by reference, together with any amendments or modifications which may be
 23 filed from time to time.

24 Priority Claim means an Allowed Unsecured Claim that is entitled to priority
 25 under section 507(a) of the Bankruptcy Code and is not an Administrative Expense
 26 Claim.

1 Priority Tax Claim means an Allowed Unsecured Claim that is entitled to priority
2 under section 507(a)(8) of the Bankruptcy Code.

3 Pro Rata as at any date of determination means, with respect to any Class 19
4 Claim, the same proportion that the Allowed Amount of such Claim bears to the sum of
5 (i) the Allowed Amounts of all Claims in the same Class, and (ii) the Face Amounts of all
6 Disputed Claims and Contingent Claims in the same Class, as reduced from time to time
7 as and to the extent that the Disallowed Amounts of such Claims are determined.

8 Reorganized Debtor means the Debtor on and after the Effective Date.

9 Reserve Fund as at any date of determination means the aggregate of (i)
10 Unclaimed Property, (ii) the Cash reserved for the benefit of holders of Disputed Claims
11 and of Contingent Claims, and (iii) Cash held under Section 5.6 of the Plan concerning
12 disputes as to the identity of entities entitled to receive distributions under the Plan.

13 Retained Project means any real estate project, fee title to which is vested in the
14 Debtor on the Effective Date, that is not Abandoned Property.

15 Shareholder means a holder of an outstanding Equity Interest.

16 Subsidiary means (a) any corporation or limited liability company of which an
17 aggregate of 50 percent or more of the outstanding equity securities or membership
18 interests are directly or indirectly owned, controlled or held with power to vote by the
19 Reorganized Debtor, or (b) any partnership in which the Reorganized Debtor, directly or
20 indirectly, has an interest (whether in the form of voting, participation in profits or capital
21 contribution) of 50 percent or more.

22 Unclaimed Property as at any date of determination means the Cash, exclusive of
23 any interest earned thereon, held by or for the Reorganized Debtor that is unclaimed by a
24 Creditor following a distribution made pursuant to the Plan (including property
25 attributable to checks that have been returned as undeliverable without a proper
26 forwarding address, checks that have not been cashed and checks that were not mailed or

1 delivered because of the absence of a proper address to which to mail or deliver such
2 property).

3 Wachovia means Wachovia Financial Services, Inc., a North Carolina corporation.

4 Wachovia Revolving Vertical Construction Loan Facility means the revolving
5 credit facility to be made available to the Reorganized Debtor by Wachovia on the
6 Effective Date for the purposes of, among other things, enabling the Reorganized Debtor
7 to fund obligations incurred by it in the ordinary course of business in connection with
8 the construction of new Homes and other improvements on lots in Villebois Phase 1.
9 The amount of the credit facility shall be no less than \$4,000,000 and the other terms and
10 conditions of the credit facility shall be acceptable to the Debtor and Wachovia.
11